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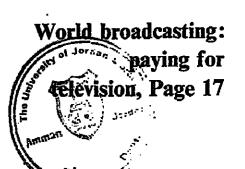
# FINANCIALTIMES

**EUROPE'S BUSINESS NEWSPAPER** 

No. 29,795

Tuesday December 3 1985

D 8523 B



# reaction verdict

World news

The US State Department sharply questioned the acquittal and rein-statement of Philippines armed forces chief of staff Fabian Ver and 25 others accused over the murder of opposition leader Benigno Aquino.
In Manila, the decision was immediately denounced by Aquino's widow Corazon and by Cardinal Sin, the country's leading church-

Cardinal Sin said the decision "threatens to push our country to the brink of violence and despair," he urged the country to "pass irrefutable judgment upon the verdict through the ballot box in presidential elections expected in February. Page 18

### Minister dies

- TES

East German Defence Minister, General Heinz Hoffmann, died of heart failure. A meeting of Warsaw Pact military leaders, which he had been due to host in Berlin, was delayed until today.

### No-confidence vote

Austrian opposition leader Alois Mock said he would bring a noconfidence motion in parliament on Friday against Chancellor Fred Sinowatz after a financial crisis at the state-owned Voest-Alpine. Page 3

### SA funeral riots

Police reported more rioting in South Africa as residents of a black township near Pretoria prepared for today's mass funeral of 12

### Punjab ban widened

Punjab authorities extended a ban on foreigners entering the state and ordered many schools to shut as Sikh extremists stepped up attacks, killing a right-wing Hindu political

# Palestinian killed

A prominent Palestinian lawver. Aziz Shemadeh, was found stabbed to death near his home in the West Bank town of Ramallah on Monday, Israeli television reported. Shema-deh was a leading Palestinian moderate who called for the establishment of an independent state with Israel's backing after the 1967 war.

# Cyprus trial opens

Three Palestinian sympathisers went on trial on murder charges for the September 25 killings of three Israelis aboard a yacht at Larnaca,

# Korea hunger strike

TE:

Members of South Korea's main opposition party have staged a one-day hunger strike in parliament to protest against the ruling party's approval in private session of the country's 1986 budget.

### Bonner flies out Yelena Bonner, wife of dissident So-

viet physicist Andrei Sakharov, flew to Rome for medical treatment after spending 19 months in inter-Gang robs Brinks

# Armed robbers working in two

teams stole FFr 70m (S9m) from the Brinks armoured transport company at Colombes, northwest of Paris, in one of the biggest cash thefts in

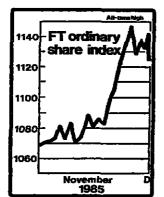
known poets who reportedly turned down the post of poet laureate, died at the age of 63 after complications which followed a throat operation.

### Obituary, Page 15 Rugby tour off

The South African Rugby Board withdrew an invitation to the British Lions team to tour next year in an attempt to safeguard relations with Britain's four rugby union

# Business summary Sharp US Boeing 'to buy De to Aquino Havilland' for \$111m

CANADIAN Government is to sell oss-making state-owned De Haviling of the US for C\$155m (\$111.5m). BRITISH Government indicated that the Fraud Investigation Group the main agency for dealing with serious cases of business theft and deception – needed more resources to pursue cases of alleged fraud.



LONDON: Nervousness over Far Eastern markets eroded early enthusiasm which had been sparked by takeover activity. The FT Ordinary share index closed 18.5 down at 1,124.4. The FT/SE 100 share in-

dex shed 20.6 to close at 1,418.5. WALL STREET: At 3 pm the Dow Jones industrial index was 15.48 down at 1,456.65. Page 42

TOKYO: Speculative trading of small-capital issues was the only active note in an otherwise dull session. The Nikkei average gained 17.39 to 12,796.92, Page 42

DOLLAR improved in London, rising to DM 2,521 (DM 2,511), FFr 7,6875 (FFr 7,6875), SFr 2,1035 (SFr 2,081) and Y 204,05 (Y202,1). On Bank of England figures, the dollar's index rose to 126.8 from 126.3.

STERLING lost 10 points against the dollar in London to finish at \$1.4875 but was firmer at DM 3.75 (DM 3.7375), FFr 11.435 (FFr 11.4125), SFr 3.13 (SFr 3.0975) and Y303.5 (Y300.75). The pound's exchange rate index rose 0.1 to 80.4.

GOLD fell \$5.25 on the London bullion market to \$319.75 and \$4.40 in Zurich to \$322.25. Page 34

WESTIAND, the troubled British helicopter company, is expected to announce a package of redundan-cies today. Unions fear that as many as 750 jobs could be lost.

MANNESMANN, West German engineering group which already an-nounced higher first-half sales and profits, plans to raise investment next year to DM 863m (\$343m) from DM 788m in 1985. Page 19

KYMI-STRÖMBERG, Finnish for est industry and power technology group, is to take over Kankas, one of the country's leading forest in-dustry companies, in an agreed merger that will make Kymi the third biggest industrial concern in Finland. Page 19

HUNGARY expects to borrow about \$1bn in the international capital markets next year, half this year's total, according to Janos Fekete, first vice president of the country's national bank. Page 19

BROWN BOVERI, Swiss electrical engineering group, is taking a larg-er controlling stake in its West Ger-Philip Larkin dies

Philip Larkin, one of Britain's bestranging reorganisation to optimise its global resources. Page 19

CONTROL DATA, financially troubled Minneapolis-based compute and computer products group, has sold the direct equipment finance portfolio of its Commercial Credit financial services subsidiary to Sanwa Bank of Tokyo. Page 19

man chemicals groups, have dropped plans for the merger of some of their US operations after

# **Community leaders** struggle to agree on Treaty reform

BY QUENTIN PEEL AND IVO DAWNAY IN LUXEMBOURG

LEADERS of the European Community were last night bogged down over the detail of how to reform the EEC, with Mrs Margaret Thatcher, the British Prime Minister, once again in danger of being left in a minority.

Chancellor Helmut Kohl of West Germany was reported to be shifting position on two key issues in the debate - a definition of the monetary questions in the reform - leaving the UK as the only large member state opposed. There was little immediate sign

of a willingness to compromise on the reform plans by either Mrs Thatcher or Mr Poul Schlüter, the Danish Prime Minister, the two heads of government most consist-ently doubtful about the benefits of revising the Treaty of Rome.
Officials in Luxembourg stoutly

standing problems to be concentrated on.
The EEC summit, planned as the launch pad for a major reform package, was plagued by upsets from the start.

France delayed his arrival until af-ter the formal lunch offered by the Grand Duke of Luxembourg - a move interpreted as an obvious snub to the country currently in the EEC presidency, because of Luxembourg's public anger at losing the contract for two new French

Then, during the afternoon, an Common Market as "an area with-out frontiers" and the inclusion of ing on the Kirchberg caused a flurry of policy activity, when a homemade grenade was thrown from a passing car. The main road was blocked off as the security forces searched for any unexploded de-

television channels.

Inside the meeting, however, the atmosphere was of controlled irritation rather than explosive anger as the heads of government sought to narrow their differences.

The same problems which have maintained that some progress was being made, at least in "clearing the plagued officials seeking to prepare the reform package over the past three months remain at issue, in ground" for the most difficult outspite of substantial progress tovards a common deal

Several countries are still seeking special exclusions from a general rule to adopt majority voting, instead of unanimity, on proposals

President François Mitterrand of removing national barriers to a gen uine Common Market. The UK and Ireland want an exception for quar antine controls affecting plant, animal and human health. Denmark wants protection for its high enviental and safety standards. West Germany has moved on the final point of higher standards,

agreeing to trust the Commission to bear them in mind when making any proposals for EEC-wide rules. Chancellor Kohl yesterday appeared flexible, too, on the questio of whether the Common Market should be defined as "an area without frontiers", implying the free movement required for a truly open economic market. Mrs Thatcher is

fighting to limit the definition in order to prevent the complete removal of controls against drugs and terrorism at frontiers. The German Chancellor also appeared ready to accept a Dutch

compromise on writing monetary affairs into the reform package, a though the proposal does not seek to include details of the operation of the European Monetary System. Continued on Page 18

# Squaring off over the EMS,

# Distillers spurns £1.9bn takeover bid by Argyll

came in Scotland, where both

BY LIONEL BARBER IN LONDON AND MARK MEREDITH IN EDINBURGH

DISTILLERS, the Scotch whisky combine, yesterday rejected the long-awaited £1.9bn (\$2.8bn) hostile takeover bid launched by Argyli, the supermarkets group led by Mr

Describing the offer as a "sightsaid the bid was "unwelcome and completely inadequate." At last night's closing prices, the offer values DCL at 523p a share. Mr Bill Spengler, DCL's newly

appointed American executive deputy chairman, said in London: "Mr Gulliver deals in potatoes and cans of beans. He does not understand the whisky business." In a glossy brochure for DCL

shareholders, partly prepared by the advertising agency Saatchi & Saatchi, Argyll used excerpts from ky brands and in its growth over over Panel three months ago, that cern for the future stability of the the past 20 years.

Argyll was free to bid for DCL. The business," DCL's advisers are the past 20 years. The opening moves in the UK's forced pause followed a leak of Kleinwort Benson and Robert largest corporate takeover battle Argyll's bid intentions.

management and administration would be created. Analysts interpreted Mr Gulliver's words as an effort to pre-empt any move to refer his bid to the

Monopolies Commission on the ground of public interest. DCL, formed in 1877, is Scotland's largest company and employs around 7,200 people there. more than 8.000 in Scotland, most chain. One of its lead bankers pro-

viding loan finance for the bid is the Royal Bank of Scotland, which is

Argyll is offering eight new ordinary shares and 10 new convertible groups have strong interests.

Mr Gulliver announced that he would make Edinburgh the headquarters for a group including DCL at around £1.86bn. There is a full to form the largest private company cash alternative of 485p a DCL in Scotland. He said 300 jobs in share.

Argyll's shares rose 11p to close at 348p yesterday, while DCL dropped back to 505p, down 5p on the day. Argyll's advisers, Samuel Montagu and Charterhouse Japhet interpreted the share price movements as a sign of confidence that Argyll was not offering too high a

Argyll, formed in 1979, employs amount of underwriting by UK financial institutions. According to of them in the Presto supermarket Mr Gulliver, some C500m had been prearranged, while a further £800m was completed by the afternoon.

Mr John Connell, DCL chairman critical press reports to support its also an important banker for DCL. told a press conference in Edincase that DCL's management had Yesterday was the first day, unfailed," both in marketing its whisder a ruling agreed with the Take

# Imperial Group makes £1.2bn agreed bid for United Biscuits

BY CHARLES BATCHELOR IN LONDON

bacco and brewing group, yesterday launched a £1.22bn (\$1.8bn) agreed takeover bid for United Biscuits in a move which would create a United. drinks, cigarettes and foods giant

The merger announcement came exactly one week after the two com- the answer." panies disclosed they were in talks, The merger of Imperial and two years after Imperial set out to United would link Britain's sixth ideal mate.

The two companies enthused yesfood combines.

failing to agree on a price. Page 19. I its of the link-up but said they saw er this year, when Nabisco Brands,

IMPERIAL GROUP, the British to- it primarily as a defensive move in- the foods group, linked with R J tended to dampen speculation of a Reynolds, the tobacco company, hostile hid being made, in the first and Philip Morris merged with instance for Imperial, but also for General Foods.

"I do not see much point in addwith annual sales of more than ing one mature business to an-other," commented one fund manager. That would not seem to be

find a partner and seven months af- largest brewer and biggest cigarette ter United was identified as the producer with the world's largest biscuit maker outside the US.

Imperial made a pre-tax profit of terday about the benefits a merger £221m on turnover of £4.66bn in the would bring in creating a group year to October 1984, while United large enough to compete on an international scale with the large US of £1.74bn in the year ended December 1984.

Fund managers and stockbrokers Two major food and tobacco acknowledged the long-term benefinergers took place in the US earli-

Imperial is offering five of its

own shares for every four of United Imperial's shares fell 4p to 240p in London yesterday to value the offer at 300p per share, while United fell 5p to 273p. At these levels the merged group would have a market capitalisation of £2.92bn.

The two companies believe the only product which might face mon-opolies objections is snack foods. where together they have about 40 per cent of the market. They argue, however, that Nabisco also holds a similar share and new competitor are always emerging.

Page 18: Background, Page 24

# Singapore securities firms seek emergency backing

SINGAPORE'S domestic stockbro king firms were last night seeking emergency financial support from regulatory authorities and leading banks in the island state, according to local brokers and bankers.

Talks aimed at staving off failures within the securities industry followed the indefinite suspension from yesterday morning of all dealings on the Singapore stock market

The unprecedented trading halt was called because some brokers appeared likely to default on a series of forward share transactions. In neighbouring Malaysia, the Kuala Lumpur stock exchange de-cided on a temporary halt to deal-ings. The two markets are linked,

with many companies from each country quoted on both. The threat of broker defaults came in the wake of the collapse of Pan-Electric Industries, a Singa-pore-based marine salvage, hotel

and property group. It was placed in receivership at the weekend with debts of some S\$400m (\$191m) and commitments by the group and its subsidiaries to buy at least S\$140m worth of shares which they cannot fulfil.

Foreign brokers which deal through local firms moved anxiously yesterday to settle bargains made last week. One said it had

been asking clients for banker's drafts rather than cheques. In turn, Singapore brokers who travelled to Kuala Lumpur to deliver scrip found that it was not being accepted and that payments for pre-viously agreed deals were not being made - a situation one described as being as damaging as the trading

The Monetary Authority of Sin-gapore, the powerful quasi-central bank, is playing a key role in the talks over the future of the broking firms, which number more than 20. Details of proposals remained un-clear but any "lifeboat" scheme is thought likely to require an injection of funds by the big four local

Bankers cautioned, ho such a scheme would be justified only if it resulted in widespread reforms to Singapore's stockbroking practices.

Many hope that it would hasten long-discussed changes, such as ap-proval for local banks to take over broking firms and for foreign securities houses also to be allowed equity stakes in the brokers. Continued on Page 18

Lex, Page 18; Stock market reports, Page 42

# thwart Elf in **North Sea**

BY DOMINIC LAWSON IN LONDON

and Century Power and Light of the UK, have made a last-minute \$182m counter-bid for Phillips Petroleum's 35 per cent stake in T-Block, the

The sale is part of the US oil com-

serves, would cost at least £1bn to ing a North Sea oilfield.

develop. Although more than £100m

Agip yesterday refusi has already been spent on 17 wells with no declaration of commercial viability, it is likely that Agip's bid is based on a plan to produce oil Mexico."

from the field by 1990. partners - Agip, Petrofina of Bel-gium and two UK companies, Las-Century is well able to fu gium and two UK companies, Lasmo and Century - had until yester-part of the deal. It is 59 per centday to match the terms and block Elf's bid.

Ell's bid.

The oil industry had thought that

Ell's bid, the largest North Sea deal

pany that has recently received
£72m through the sale of its Compair subsidiary.

AGIP, the Italian state oil company, since BP sold off part of its Forties field in 1983, would be too much for Phillips's partners to match.

Agip yesterday notified Phillips that it was prepared to bid \$150.8m largest undeveloped oil accumulation in the North Sea.

A month ago Elf, the French
state-controlled oil group, bid
\$182m for the Phillips stake, after
an oil industry auction lasting

Lasmo decided not to match Elf's

At a meeting of partners today pany's plan to raise \$2bn to fund a Agip, is likely to ask to act as the capital reconstruction set up to field's operator. With Agip having a block a bid by Mr T. Boone Pickens, 47 per cent stake in the group, this the US corporate raider. would likely be approved by the the US corporate raider. would likely be approved by the T-Block, which contains about 300m barrels of recoverable oil reno previous experience of develop-

Agip yesterday refused to com-ment on the bid but pointed out that it had worldwide operating experience "from China to the Gulf of

The deal marks a commitment by After Elf's bid the field's existing Agip to a much larger and more owned by IC Gas, a UK-quoted com-

# Paris eases foreign exchange controls

BY DAVID HOUSEGO IN PARIS

THE FRENCH Government last of a significant relaxation of foreign exchange controls on both compa-nies and individuals.

The moves are in line with the Government's policy of deregula-tion and of opening up the financial markets. But they leave intact the main battery of controls, including restrictions on tourist travel allowances and the requirement on comnies to repatriate foreign exchange dealings, which the Government believes are still needed to

protect the franc. As part of the further relaxation announced last night. French companies will be freed of any requirement to finance investments abroad in foreign exchange. Under existing regulations, they are required to finance 50 per cent of their acquisitions in foreign currency ~ itself an easing of an earlier requirement that 75 per cent of financing be in foreign currencies.

At the same time, the threshold night eased restrictions on French on which official approval is re-companies investing abroad as part quired for investments abroad has been raised from FFr 2m to FFr 15m (\$1.95m).

Under the new measures, French companies will be able to hedge against foreign exchange risks through use of such mechanisms as options, arbitrage and futures trading. They will also be given greater flexibility to negotiate interest rate

The Government has, however, decided to keep the foreign exchange premium which French residents must pay in purchasing foreign equities - even though the premium is now minimal. But French residents are being given additional scope to use the premium for purchase of short-term instruments such as commercial paper and certificates of deposits.

The new measures are intended Continued on Page 18



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# Le Monde offers shares to readers

By David Housego in Paris

LE MONDE, France's leading daily newspap er, yesterday offered its readers shares in the paper to raise F Fr 15m (\$1.9m) of new capital. The offer looked like being heavily subscribed after some 10,000 reade is showed their loyalty to the paper by queueing on Saturday to be shown round its offices in the Rue des Italiens.

Along with a subscription form for the FFr 500 shares, the newspaper published yesterday the first detailed analysis of its ac-counts. These show that it expects to transform an operating loss last year of FFr 67m into a small operating profit this year of FFr 9m. But with the sale of its headquarters building for FFr 147.5m, it anticipates a net profit this year of PFr 55.5m.

Le Monde readers are being given a 12.5 per cent stake in the newspaper, which has until now been owned by its founders and stall. The newspaper was forced to look for outside capital as a result of its financial difficulties but it resisted putting its independence at stake by opening its capital to other institutions or

The recovery in the newspa per's finances comes in the wake of the nationalisation measures carried out by Mr Andre Fontaine who took over as editor in chief in January. Mr Fontaine claims to have achieved savings worth FFr 100m in a full year through cuts in staff, a reduction in the newspaper's salary costs, and other measures.

Le Monde readers will be able to buy as many shares as they wish but any one individual will be limited to 10 votes in the company that will represent readers'

Le Monde revealed yesterday that it expects readership to fall by 5 per cent both this year and next, but for turnover to rise because of increases in the cover price and advertising rates.



# Britain seeks to wrap up SDI accord

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT, IN BRUSSELS AN ATTEMPT to finalise agreeing specific contracts at British participation in the the same time as an "umbrella"

controversial US Star Wars agreement is signed. research programme will be Meanwhile. Mr Heseltine and made today when Mr Michael his three European colleagues Heseltine, the UK Defence Secretary, meets Mr Caspar they can reach a common stand Weinberger, his US counterpart. At a second meeting which that the US should have some will also take place in the formal involvement with the margins of Nato's defence European fighter aircraft planning committee meeting project, here tomorrow, Mr Heseltine In a letter to the four will join the ministers of Italy, ministers, Mr Weinberger is said to have suggested there could be scope for standardising West Germany and Spain to discuss the recent US approach for involvement in their European Fighter Aircraft (EFA)

components which might be used both in the EFA and in the planned new US fighter sireraft, as well as in the possible joint use or developproject. An outline agreement on British participation in the

THE DEFENCE ministers of Britain, West Germany and Italy are expected to meet in Brussels to discuss a joint European rescue hid for Westland, Britain's ailing belieopter company, writes

Bridget Bloom.

If a European deal is to go ahead involving Messer-schmidt. Bolkow-Blohm of West Germany, Agusta of Italy and Aerospatiale of France, ministerial decisions will be needed to rationalise production by the four companies. Separate discussions will be held with France which is not a member of Nato's planning committee.

\$26bn Strategic Defence Initia-\$26bn Strategic Defence Initiative, the so-called Star Wars programme, negotiated over the past few months, has been hanging fire since Mr Heseltine and Mr Weinberger met here a month ago. This is partly because of objections to certain aspects of the agreement from Mr Heseltine's cabinet colleagues.

cabinet colleagues.

The Department of Trade and Industry, in particular, is believed to be uneasy that the agreement would not provide adequate assurances that British

adequate assurances that British companies or research institutions involved in the programme would be able to use the results of their research freely.

It is already clear that the agreement will be far from his original wish to have a guaranteed \$1.50n share in the programme, though among matters to be discussed today its said to be the possibility of articlery.

ment of avionics systems and

weapons equipment. Mr Weinberger did not suggest any

financial participation in the EFA as the French have done

recently.

The European defence mini-

sters are expected to approve what has become known as the

"conceptual military frame-work," a document which has been prepared by Nato's civilian

and military staff over the past year and which endeavours to give coherence both to new developments in military strategy and to long-term

strategic planning.

The document analyses the

Warsaw Pact's capabilities and operational concepts with the aim of determining what changes might be necessary in Nato's own concepts in its

forces and weapon systems over

the next 20 years.
In this, Nato is breaking new

In this, Nato is breaking new ground for it normally plans collectively for only five years ahead. The framework exercise will involve the whole alliance in weighing up the implications, for example, of a future tank-less battlefield, or

air defences, without manned aircraft. The main new weapons

under discussion are so-called emerging technology systems designed to attack deep into

MR JACQUES DELORS, President of the European Com-munity Commission, says it is a miserable effort, no more than a statement of what everybody does anyway.

Mr Hans-Dietrich Genscher,
West Germany's Foreign Mini-

in the dark, and would widen the gulf between hope and reality Mr Nigel Lawson, the British

The question at issue is does not have any official, juri- include sterling. whether to write paragraphs dical position in relation to the into the Treaty of Rome on exchange rates and monetary poincy for the EEC.

dical position in relation to the EEC institutions, like the European Commission and the European Parliament.

In a fledgling form, such a policy already exists as the European Monetary System (EMS), the exchange rate mechanism which links eight of the 10 Community currencies (sterling and the drachma are missing). Its relative success has boosted the Ecu, the European currency unit whose value derives from a basket of all the national currencies and which is increasingly widely used for both public and private trans-

proposals aimed at deepening land and the Bundesbank. economic and monetary co-operation. What the reformers want co-operation as an underpinning for the eventual barrier-free market, but without any rigid deadlines.

EEC states square off over monetary plan

so hostile his remarks are said to be "incredibly violent," his attitude "furious."

But the EMS is based simply states "which are able to meet on an intergovernmental agreeties obtained by violent," his ment reached at the European council in Brown in 1977. Council in Bremen in 1978. It

European Parliament.

Mr Delors, the Commission president, and several member in the preamble to the Treaty, and the European Monetary convert the European Monetary convert the European Monetary shole reform package being discussed at this week's Luxembourg summit.

They insist that it would not change the present system significantly—although they admit but only as a political commitment in the preamble to the Treaty, it would eventually tures, except that the Commission provides the monetary swithin the EMS into a fully fledged "central bank" called the European Monetary flund—but only if that was rational parliaments.

Mr Lawson and Mr Stollen-

institutions some greater influence over its development. The commission, for example, would tained it would reduce the planned reform.

become responsible for formal autonomy of the Bank of Eng-Mr Gerhard Stoltenberg, the West German Finance Minister, repeated his familiar insistence that member states must fall in line with existing obligations before any new step is taken. That means France, Italy, Ire-

Mr Delors' plan would not land and Greece must relax oblige member states to particitate in the exchange rate mechanism. Only those member exchange rate mechanism of the The underlying fear is loss of would perhaps increase the control over national economic moral pressure on the UK to policies, although the public

It would set an ultimate goal capacity written into EEC law of achieving "economic and monetary union" in the EEC, but only as a political capacity with a new huranteen capacity with a n

they insist that it would are change the present system significantly—although they admit ments.

The Delors plan was opposed berg fear that such an apparatus the month of the control of

ever, lurks another. As long as the system is run according to the Bremen text, then its further development the further development the planned second phase—is subject to inter-governmental agreeEurol

pillar'

need o

founda

Poles see hope of b l'S relatio

East Gu

get whipped up into familian EEC confrontation in the present institutional system The second phase included development of the EMOF into the European Monetary Fund, an embryo EEC central bank. It was supposed to come into effect in 1981, but was quietly

ment. It does not automatically

The reformers are seeking to assuage the fears about loss of national sovereignty by assuring London and Bonn that any further development world be subject to formal ratification by national parliaments.

West Germany yesterday hinted that it might be pre-pared to move on the question given assurances from France and Italy that they would seriously begin to dismantle their exchange controls. The outcome last night was still in

# European soap opera has Luxembourgers frothing

BY IVO DAWNAY IN LUXEMBOURG

THE GREAT European soap near slapstick eplsode might opera, now completing its triumhave been entitled "The phant 28th year, yesterday took a decidedly Ruritanian turn "Have they told the President?" in tax of the Treasury than cided not to honour its agree bourg stepped to the centre of the stage.

The GREAT European soap near slapstick eplsode might satellite

Such an event may count for was hardly surprising that the in the courts.

Such an event may count for was hardly surprising that the internacional bushed on the news last the news last the france had dent france had dent france in that much inflamed passions, or any other company, including the stage.

Completely the first light was the out-the international banks and the international ban at least guilaws, was the out-break of hostilities between the plucky Luxembourgeois and

Connoisseurs of the convoluted EEC plot may have expected the opening of the summit to have been dominated by corridor talk on such prandiose questions as the the Compagnic Linears, was the unit international banks and break of hostilities between the Arbed, its ailing state-owned steel producer. Indeed, many plucky Luxembourgeois and an steel producer. Indeed, its ailing state-owned steel producer. Indeed, many plucky Luxembourgeois and an an allegedly periodic plucky Luxembourgeois and a

Socialist millionaire, Mr Silvio Berlusconi, and the British newspaper owner Robert Maxwell.
Whatever the French explana-

by corridor talk on such a year ago amid much fanfare. country as a broadcasting station for the move, the new liberalisation of the internal de Television (CLT) signed an Frime Minister, Mr Pierre historic agreement allowing it Werner, became president of to take up two channels on CLT many here argued it was Not a bit of it. Yesterday's TDF-I, the French broadcasting a promotion.

In these circumstances, it promised a fight to the death

To add insult to injury. President Francois Mitterrand gave great offence yesterday by not turning up for the morning ses-sion of the summit and then failed to attend the lunch given for all heads of government by Grand Duke Jean.

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# Lisbon names farm expert for Commission

BY OUR LISBON CORRESPONDENT

missioner, strengthening expec-tation that it will be given the fisheries portfolio on the Com-mission when it joins the Com-munity next month.

fisheries portfolio on the Commission when it joins the Community next month.

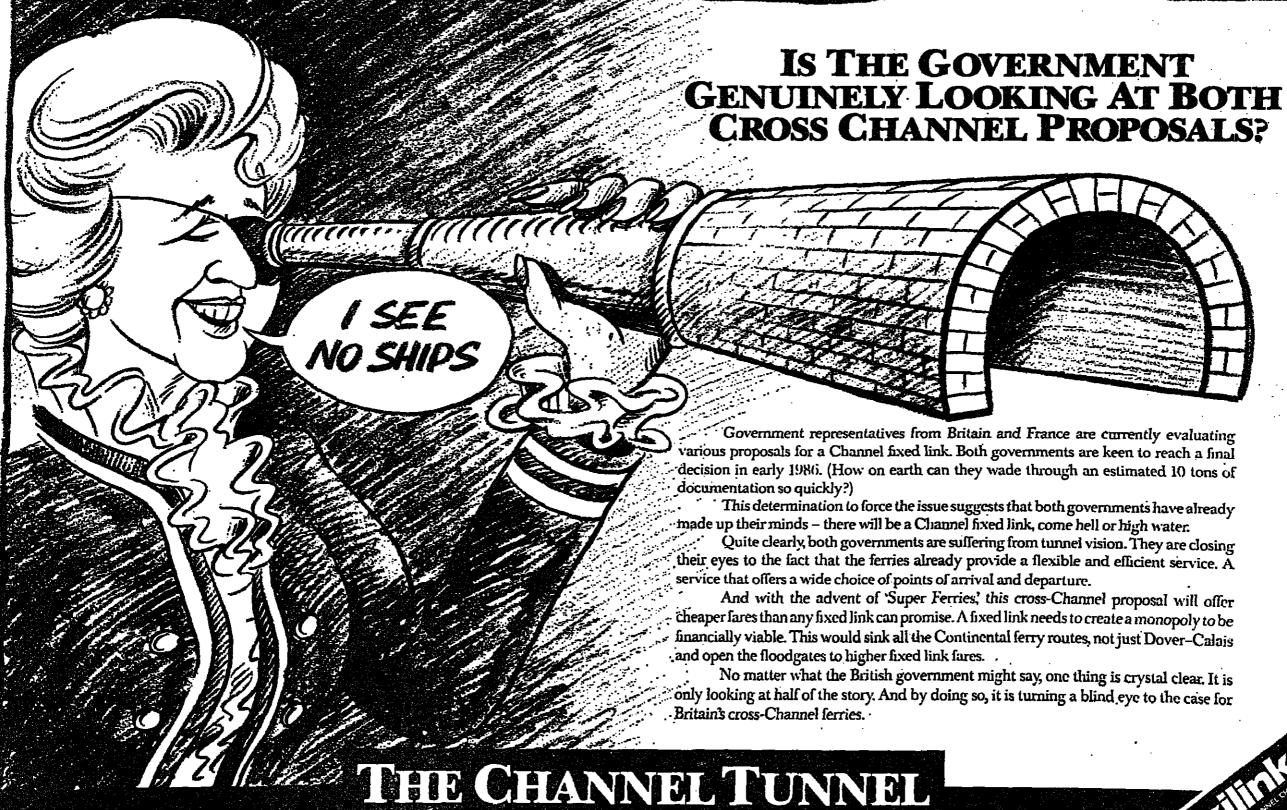
The surprise nomination Portugal would like to take sioner's disposal are limited rights between the Iberian suggests that the Social Demo-

ying for the post.

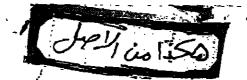
Prof Ambal Cavaco Silva, the fishing policy is expected to fishing policy is expected to cause some dissatisfaction

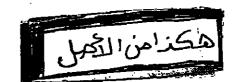
PORTUGAL HAS named a crat Government has chosen a former Agriculture and Fisheries Minister, Mr Antonio Cardoso e Cunha, as its commissioner, strengthening expectage of the post.

Crat Government has chosen a ment followed a series of contacts with Mr Jacques or regional policy, Moreover, a Commissioner than the contacts with Mr Jacques or regional policy, Moreover, a Portuguese fisheries commissioner will find himself in the delicate position of dealing with the integration of the massive Spanish fleet into the com-



The black hole that will put Britain in the red.





# **European** pillar' in need of foundations

an

By Paul Betts in Paris A FOUR-DAY meeting of the Western European Union (WEU) assembly this week is expected to turn into a test of so far half-hearted efforts to transform it into a "European piliar" of the Atlantic alliance.

Mr Jean-Marie Caro, French president of the seven-nation assembly, yesterday expressed concern about the lack of action to put into practice the so-called Rome declaration of October 1984 when ministers of member countries asserted their intention of giving new life to the WEU. He questioned whether European governments really wanted to turn the WEU into an active forum and bitterly criticised the assembly's "pit-tance" of a budget.

"How can you talk about reactivating the WEU with a zero growth budget at a time when you need funds to develop

Mr Caro hoped this week's European summit in Luxembourg would give a new push to revitalising the WEU. He listed issues which he claimed made nonsense of the idea that the organisation was being reactivated. These included: The postponement of a study of the political and military aspects of the US Strategic Defence Initiative (SDI) which was part of the proposal agreed by ministers in Bonn last April to try to harmonise the reactions of WEU member countries to

● The failure to start an examination of disarmament issue announced by Mr Hans Dietrich Genscher, the West German Foreign Minister, at

the end of last year.

The failure to define adequately the tasks of the new agencies covering disarmament. security and defence, and arms development which were supposed to be set up as part of the reactivation of the WEU. The failure to give an answer to Portugal's 1984 application

for membership.

Apart from discussing the future of the WEU, the assembly will spend two of the meet-ing's four days debating the SDI. Several ministers includ-ing Mr Giulio Andreotti, Italy's Foreign Minister, Mr Glovanni Spadolini, its Defence Minister, Mr Roland Dumas, the French Foreign Minister, and Baronness Young, Britain's minister of State for Foreign and Comnonwealth Affairs, are due to

### Poles see no hope of better **US** relations

By Christopher Bobinski in

POLAND'S relations with the United States are unlikely to improve despite last month's Geneva summit says the government spokesman, Mr Jerzy

Writing at the weekend under Writing at the weekend under his pen name of Jan Rem, he blamed the US for showing a lack of will to improve relations. These soured after martial law was introduced four years ago and the West imposed economic sanctions, many of which have since been dismantled. According to Mr. dismantled. According to Mr. Urban, however, Poland wants an improvement as a return to normal relations with the US would help restore much-needed

munist credentials.

# North Cypriot backwater immobilised by security worries

David Barchard, recently in Kyrenia, looks at the political and economic future of one half of the island

ELEVEN YEARS after Turkish troops landed in northern Turkey and far behind the courses two zones, the juke-box in Bedil's restaurant beside the ruins of Salamis is silent. It has been kept clean and polished throughout the period, but no one has yet brough the spare part to make it work again.

ELEVEN YEARS after Turkish slightly ahead of mainland troops landed in northern Turkey and far behind the owns a majority stake in the owns a local issues. Still through is unlikely.

Mr Denktash and others are on the horizon, but no one the south of the status quo. It might to see the results of the general election on December 8. If, they lose the present deterioration will probably continue.

At Omorfo and at Famagusta.

At Omorfo and at

Greek south, draw up outside public sector hody which Bedii's restaurant every day to assumed responsibility for most tour Salamis. They find sun and of the industrial enterprises sparkling white beaches, but little else. Since 1974, northern Cyprus

has been a backwater, cut off from the rest of the Mediter-ranean world by its lack of International recognition.

About 20,000 tourists a year visit from countries other than Turkey. The flow of Turkish tourists has dried up in the last two years because the Ozal Government has liberalised the import rules, allowing items into mainland Turkey which parties of housewives from Ankara and Istanbul used to take shopping

As a result, there are strains on Northern Cyprus's balance of payments. Exports in 1984 were worth \$38m (of which \$21m worth went to the UK) and the trade deficit reached \$200m.

Despite this, gross national product is reckoned to have improved by 7 per cent, although GNP per capita is now put at \$1,200, only

Rumasa's

refused bail

THE EXAMINING magistrate

investigating charges of irregu-

Spanish business conglomerate, yesterday refused bail for Mr Jose Maria Ruiz-Mateos, the group's founder and chairman,

following his extradition from

Mr Ruiz-Mateos made his second appearance before the magistrate, Judge Luis Lerga,

yesterday morning but said afterwards he was bound not

to comment. However, he told reporters he was confident that

he would win and made a vic-tory-sign as he left the court

On his arrival in Madrid on Saturday night, the fugative financier was greeted by a crowd of extreme right-wingers.

They see the case as a way of inflicting damage to the Socialist Government of Mr

Filipe Gonzalez, which seized the entire Rumasa group in Feb

After almost three years' exile, Mr Ruiz-Mateos faces trial on what are considered to be

two of the more minor charges against him: of inventing fake

oredits to falsify the accounts of Rumasa banks; and of artificially inflating the value of the group's assets. Since these are the only grounds o nwhich

he was extradicted from West Germany, other charges, includ-

West Germany.

founder

part to make it work again.

Half-empty busloads of british tourists, who have crossed the green line from the Greek south, draw up outside public sector body which particular to make it work again.

foundation which owns such potential money-spinners as the famous Dome Hotel at Kyrenia.

The other is Sanayii Holding, a public sector body which passing again. inherited after the war from

tion will probably continue.

At Omorfo and at Famagusta.

Polly Peck International's

plants seem to demonstrate that private enterprise can make easy profits in the North easy profits in the North Both the packaging factory and the fruit sorting plant are easily superior to anything else in Northern Cyprus or on the Under state ownership, once-flourishing hotels like the Dome and the Salamis Bay Hotel have crumbled and declined. Leonard with the distinction between first class fruit, acceptable in Western supermarkets, and unsorted fruit, still has to

South may take a new turn. Mr Kyprianou is widely assumed to be intransigent and unable to negotiate a settlement. "Probably a better tactician will emerge." says the Turkish Cypriot President. Mr Rauf Denktash. But he adds: "Whoever comes will have to

"Whoever comes will have to

ctizens some of whom had Islam as their religion.
A Turkish Foreign Ministry official said yesterday that Bulgaria was seeking to eliminate all statistical evidence of the existence of its ethnic Turks. The Turkish pages has described the expers.

that the status quo implies, but they want only one type of settlement — a bizonal loose federation with restrictions on freedom of movement and economic union which would protect the Turkish Cypriot identity and interests. Such an arrangement has few, if any, parallels in any other state.

Mr Denktash and Mr Kenan Atakol, his Foreign Minister, are now more worried, however, about the Greek Cypriot desire to move to a full customs union with the European Community. "It would be a form of recognition for us, too," says Mr Denk-tash, "if we were excluded from the union."

But the assumption is that

customs union would be fol-lowed swiftly by an application for the Republic of Cyprus to be admitted as a full member to the European Community. Britain, it is said, is helping the Greek Cypriots down this road by endorsing the customs

union proposal. Mr Denktash meanwhile is pressing for more economic independence. The use of the Turkish lira for most trans-

probably be tied either to the US dollar or the pound sterling, since 40 per cent of the North's trade is done with Britain with ments surplus. If, as everyone seems to

expect, the intercommunal talks expect, the intercommunal tains do not get off the ground again early in 1986. long-term per-spectives are haxy. The key may lie in the two largest developments on the island, the vast new airport with its three-mile long runway being built at Gecitkale, or Lefkonico as the Greek Cypriots call it, and Kyrenia's large new harbour, scheduled for completion in spring next year.

One theory is that the new port and airport, both of which would lie in the Turkish zone after any settlement, are there

actions means that Turkey's raging inflation is imported by the facilities are being dangled politics or in the intermina the North. "We should have a final rupture between Wash-resolve the island's future.



ington and Athens and the US bases in Greece are shut down. Mr Denktash, who now has the gentle, relaxed and self con-fident air of a founding father and elder statesman, will not be drawn on either topic. He is, he says, looking forward to his retirement. Elected last June by more than 70 per cent of the population, he says this five-year term in office will be his last.

"I want to go back to the things I enjoy in five years' time, village life, writing, photography, and my other hobbies, I don't think I'll continuous longer" he said. It after any settlement, are user as a strategic guarantee. If Turkey agrees to pull its troops out, it could use both installations to rush troops back tinue any longer." he said. It is difficult to believe that his successor will have as sure a successor will have as sure a interminable touch, either in domestic politics or in the interminable international negotiations to

# **Bulgarians tell Ozal to stop interfering**

THE DISPUTE between Sofia and Ankara over the fate of the Turkish minority living in Bulgaria intensified this week as Bulgaria prepared to carry out a population census, writes Patrick Blum in Vienna.

A group of 61 prominent Bulgarians have written to Mr Turgut Ozal, Turkey's Prime Minister, accusing him of interfering in their country's affairs following allegations about the mistrealment of Bulgaria's Turkish minority. These were "a gross provocation and a noisy demonstration of chauvimistic feelings," the

letter says. It adds that Mr Ozal is lying and calls on him to end his anti-Bulgarian campaign.
The letter was signed by

Bulgarians who have changed their names from Moslem to Bulgarian ones and include the Chief Mufti.
Before the census Bulgaria
launched a campaign for
members of its ethnic Turkish

minority to change their names to Bulgarian ones. According to Ankara, the estimated Im Turks there have been forced to do so, many of them being killed and intimidated by the armed forces when they refused.

Bulgaria denies the existence of a Turkish minority, saying that after waves of migration all that remained were Bulgarian clitzens some of whom had

press has described the census as a farce. The census described officially as the 14th since the country was liberated from the Ottomans will be carried out from December 12

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Pan Am. You Can't Beat The Experience:

# ing that of smuggling funds out of Spain, have had to be paid aside. Sinowatz faces confidence vote

By Our Vienna Correspond would help restore much-needed trade credit from the West.

He said US policy was seeking to undermine Poland's political system by supporting the underground opposition. Even if the US-Soviet dialogue brought an improvement in the international climate. Mr Urban feared that Washington would keep up its hard line on Poland to demonstrate its anti-Communist credentials.

By Our Vienna Correspondent AUSTRIA's opposition People's Party has tabled a motion of no confidence in Chancellor Fred Sinowatz and Mr Ferdinand Lacina, the minister in charge of the nationalised industries, following the crisis at state-owned Voest-Alpine, Austria's largest industrial concern. The motion, however, has little chance of success since the government parties have a clear majority in Parliament.

# East Germany aims for Comecon's highest growth

BY LESLIE COLITT IN EAST BERLIN

EAST GERMANY is again planning the highest economic growth of any European Comeron country: 4.4 per cent next year to be achieved by a record 8.1 per cent increase in industrial productivity. The targets recently announced by other Comecon members range from 3.8 per cent in the Soviet Union to Hungary's 3 per cent.

3.8 per cent in the Soviet Union to Hungary's 3 per cent.

The government will provide the largest ever subsidies totaling DM 46.2bm (£12.3bm)—DM 40bm this year—to maintain low prices for basic food, transport and other necessities.

Industrial output is set to rise by 4.3 per cent, agricultural production by only 0.3 per cent. The population is to per cent. The population is to receive 4 per cent higher net income while retail sales are to rise 4 per cent. The latter rise 4 per cent. The latter rise 4 per cent. The latter rise 5 per cent distorted, though as East Germany does not acknowledge the creeping price rises which have taken place for all but basics.

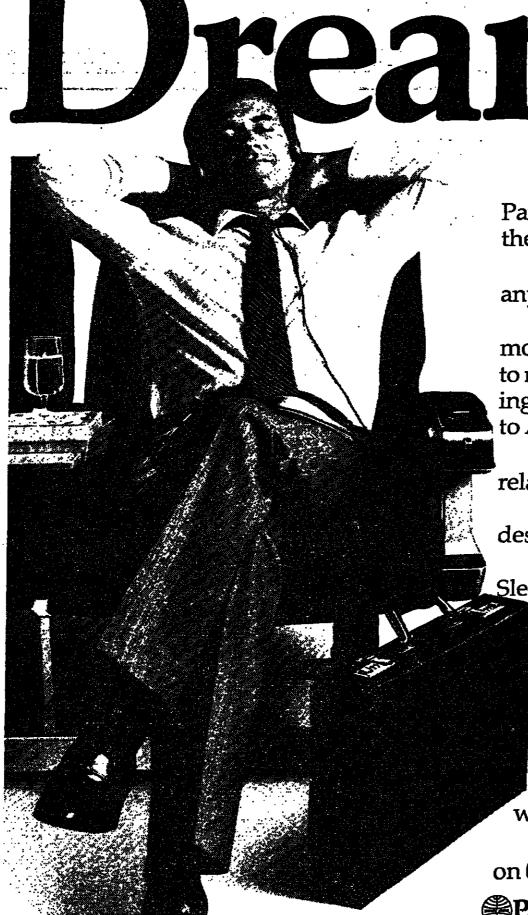
The growth rate is to be achieved against the background of a 27 per cent increase in defence spending. There is to be saily 2 small increase in investments, from DM 56bn this year to DM 63.1bn.

The Prime Minister, Mr Willis office and personal computers are to be produced next year, 10,000 more than originally planned. East Germany, however, lags well behind Hungary which encourages citizens to buy Western personal computers. Few of the East German ones will be available for private use.

East Germany next year is also planning to mine a record 314m tonnes of lignite coal, in order to ensure electricity output. Although the country has no energy problems, it is at the cost of steadily worsening air per cent. The population is to

East Germany's Defence Minister, Gen Heinz Hoff-mann, died of heart failure yesterday, but Warsaw Pact military leaders decided to go ahead with a planned meeting he was due to host, Reuter reports from East Berlin. Gen Hoffmann (75) who reports from East Berlin. Gen Hoffmann (75) who played a major role in building up East Germany's armed forces, was also a top member of the ruling Communist party polithuro, had been expected to preside over reclebrations on the 30th anniversary of the 180,000-strong armed forces next month.

The Prime Minister. Mr Willi cost of steadily worsening air Stoph, announced that 17,000 pollution.



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# **OVERSEAS NEWS**

# Patti Waldmeir reports on the severe test set for President Kaunda Zambia faces economic crunch

that calls not only for more stremuous efforts at reform . . . but also for special accommoda-tion by Zambia's aid donors and

creditors."
The World Bank's 1985 annual report, from which this sentence is taken, singles Zambia out at a major test case for economic reform in Africa, a continent where the combined reform efforts of the Inter-national Monetary Fund (IMF) and the World Bank in the 1980s can claim few clear

successes.

The advice of these two institutions will clearly be on the line in Zambia over the next few months as the country struggles to carry out an IMF-

struggles to carry out an IMFinspired reform programme
which bankers and economists
say is one of the most severe
in Africa.

The hardships it imposes are
extreme, provoking audible discontent in the capital, Lusaka,
and presenting President
Kenneth Kannda with one of
his greatest challenges since he
took office in 1964.

nis greates chairenges since ne took office in 1964.

The package, which includes a major de facto devaluation of the currency, liberalisation of imports, cuts in food subsidies imports, cuts in food substates and reductions in civil service staffing, has led to sharp price rises at a time when, in the words of Dr Kaunda, the cost of living for ordinary Zambians is already "unbearably high."

The price of maize meal, the staple food, has risen by 50 per cent and transport prices have shot up following a 100 per cent petrol price rise. But such hardships are unavoidable if the country's precipitate economic decline is to be halted, the President says.

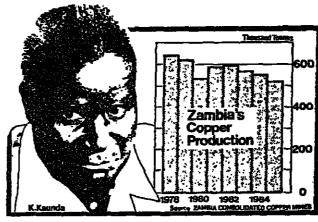
With production of copper, which accounts for 90 per cent of export earnings, expected to fall off sharply towards the end of the century as reserves are exhausted, re-orientating the economy away from dependence on mining and towards agriculture is innerative. copper prices were grossly underestimated by all parties: as a result, the scope and character of the policy and institutional reforms that were

economy as way from dependence on mining and towards agriculture is imperative.

Since 1982, President Kaunda has taken major steps in this direction. The socialist character of the post-independence ter of the post-independence Zambian economy has been profoundly altered: wholesale and retail prices have been decontracted.

Most importantly, a more foundly altered: wholesale and retail prices have been decontracted.

Most importantly, a more despite annual retailstic exchange rate for the serviced, despite annual retailstic exchange rate for the serviced and retailstic exchange rate for the service is to be reduced in size and expensive perks like official and expensive perks like toundly altered: wholesale and retail prices have been decontrolled, food subsidies slashed of unremitted profits and dividence prices increased to stimulate production, and wages than \$700m including interest allowed to fall sharply in real terms.



Zambia at the weekend following nearly three weeks of negotiations with the Zambian Government on a new Fund stand-by credit to support the

country's economic reform.

The two sides are understood to be close to agreement on a new stand-by loan of about SDR 100m (£74m) (and a further SDR 60m in funds from the IMF's compensatory financing facility to compensate for unexpectedly low Zambian export earnings from copper). The credit would replace a SDR 225m loan suspended last year because of Zambia's failure to meet conditions attached to the

proving stronger than the cure. causing copper production to Both the Zambian Government fall about 100,000 tonnes short and the IMF and World Bank of the target of 540,000 tonnes. have been extraordinarily candid in admitting where they Zambia was under intense preshave been extraordinarily can-did in admitting where they got it wrong.

The World Bank in its 1985 report says: "It must be admitted that both the acuteness and the duration of the decline in sure from the Fund for a more radical approach and finally, President Kaunda has put the plans of his able Finance Mini-ster, Mr Luke Mwananshiku,

It was understood that

Zambia and the Fund had not

yet agreed on adjustments to be made in a limited number

of areas including public

sector incomes policy and

reduction of some subsidies. But these differences are expected to be ironed out in

expected to be ironed out in time for the two sides to present a mutually agreed adjustment programme to a planned conference of Zambia's donors to be held in Paris on December 17. Mr David Phiri, the Central Bank governor, says Zambia would be seeking some \$200m to \$300m in donor commitments at this conference, the second this year.

into action. Interest rates have been decontrolled and the last remaining food subsidy, on maize meal, has been cut, with plans to eliminate it entirely. The civil service is to be reduced in size

established through the mechanism of a foreign ex-

dicer prices increased to ments which amounts to more mechanism of a foreign exstimulate production, and wages allowed to fall sharply in real arrears, cannot be cleared. A shortage of inputs has left introduced eight weeks ago, has industry working at only 30 per been immediate and farbecome obvious to the government and its international backers that the disease was for the mines are insufficient, each week, much of it provided

by the World Bank, has led to a sharp devaluation of the kwacha, which has varied weekly between K5 and K7 to the US dollar, down from K2.2 to the dollar before the autican to the dollar before the auction

The exchange rate determined by bidders at the auction applies to all foreign exchange transactions in the economy, in-cluding purchases by Governtransactions in the economy, including purchases by Government and state-owned companies (parastatals), placing a heavy pressure on parastatal management to improve efficiency or collapse under a burden of external debt which devaluation has made much more onerous.

Businessmen have welcomed the new system, which eliminates favouritism in the allocation of foreign exchange for imports and reduces the delays and uncertainties which affect planning. Many are now faced with serious kwacha liquidity problems, however.

Union reaction to price rises which have averaged perhaps 60 to 70 per cent across the board on basic items, has been described as "responsible, although the potential for labour unrest in the coppar belt, where layoffs are in prospect, should not be underestimated.

Discontent in the capital has so far fuelled only one serious eruption, when security forces used tear gas to quell a nearriot over transport fares. Planned wage rises for civil

used tear gas to quell a nearriot over transport fares.
Planned wage rises for civil
servants and private sector
employees though smaller than
the price increases, are
designed to dampen dissent. But
the lowest paid workers who
earn K20 to K100 per month
will still find that purchases of
the most basic foods consume
all their salaries.

the most basic foods consume all their salaries.
Without radical reforms, Zambia could not hope to gain the crucial IMF stamp of approval which, when secured, can be expected to lead not only to a new fund programme, but also to the urgently-needed rescheduling of medium-term debt.

Nonetheless, businessmen and economists, both Zamblan and foreign, say it is difficult to be sanguine about the economy's prospects. Repayments to the IMF for past loans will consume considerably more than the funds available under any new programme.

There appears little scope for a major rise in bilateral or multilateral aid, and any substantial increase in non-tradi-tional exports is several years down the road. In the short term, the already unenviable plight of the average Zambian can only worsen.

# S. Korean protestors ousted from **US** centre

A student occupation of the US Cultural Centre in South Korea's southern city of Kwangju ended after nine hours yesterday when diplomats called in the police, writes mats called in the position. Steven Butler. The nine students—calling for an end of students—calling for the "military students—calling for an end of
US support for the "military
dictatorship" in South Korea—
were removed after they,
according to a US spokesman—
reneged on a promise to meet
US officials for a second time.
Meanwhile, the country's
ruling Democratic Justic Party
passed the 1986 national budget
in Seoul despite a boycott of in Seoul despite a boycott of parliamentary proceedings by the Opposition, which was attempting to link passage with changes in the Constitution.

Sri Lanka warning Sri Lanka warning
Sri Lankan President Junius
Jayewardene has set a year-end
deadline for a negotiated settlement of Sri Lanka's ethnic conflict, writes Mervyn De Sliva.
Otherwise, the Government's
objective would change to "the
total eradication of terrorism"
by military means. Mr
Jayewardene told visiting
Indian journalists. His remarks
were a clear implication that
time was running out for India's
efforts to act as a mediator.

S. African confidence S. African confidence
The South African Chambers of
Commerce yesterday said its
business confidence index (1983
=100) rose to 80.6 points in
November from 78.0 in October.
"Nevertheless," the association
said, "business confidence
remains at relatively low
levels." The rise was attributed
to plans for offshore gas
development, recent tax concessions, and interest rate cuts.

Bangladesh strike A strike over pay and union rights shut more of Bangladesh's industry yesterday, union leaders told Reuter in Dhaka. Port officials said most workers had taken the day off. No serious violence was reported.

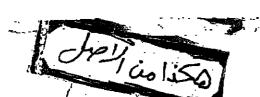
Compensation talks New Zealand Prime Minister David Lange yesterday said he was unlikely to order a public inquiry into the Rainbow Warrior bombing if compensation talks with France progressed quickly, reports Reuter from Wellington.

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# World Bank and IMF urge action on Baker plan

BY STEWART FLEMING IN WASHINGTON

and the World Bank moved resterday to try to boost these concerted efforts to deal prospects for the Third World debt initiative launched by Mr lish the basis for sustained

JD

15

re

debt initiative launched by Mr James Baker, the US Treasury Secretary. The two multilateral agencies issued what officials described as an upprecedented joint statement of support for the Baker plan.

Issued by Mr Jacques de Larosiere, IMF Managing Director and Mr A. W. Clausen, World Bank President, the statement seems designed in part also to increase the pressure on commercial banks to give the proposal their of the statement of the proposal their of the second se

to give the proposal their explicit backing.

"The president of the World Bank and the managing director of the IMF wish to express their strong support for the initiative which given the initiative which, given the urgency of the problems, should be translated into positive and concrete actions as soon as pos-

sible," the statement said.
The two institutions "in close collaboration, are ready and willing to play their parts in the implementation of the initiative and to co-operate fully and constructively with their mem-bership and with all parties in economic growth," it said.

Officials said that the joint statement should be seen as indicative of governmental support for the Baker plan by the
developed and developing
nations who are members of the
IMF and the World Bank Mr
Clausen is understood to have
called a special World Bank
board meeting on Wednesday
last week to secure endorsement
of the statement On the same of the statement. On the same day the IMF board also ap-

proved the statement.

The Baker plan announced in October at the IMF/World Bank annual meeting in Seoul calls for some \$29bn of net new lending to some 15 developing countries over a three-year period.

Commercial banks are expected to put up \$20bn of this total. Private bankers and developing countries have expressed their concerns about several elements in the proposal.

Political survival relies on a combination of low inflation and higher growth, reports Jimmy Burns

# Alfonsin tackles second stage of economic reform

SIX MONTHS after announcing or bottlenecks, and to end hyperinflation, the Government of President Raul Alfonsin is poised for a no less ambitious second stage. It aims to put Argentina firmly on the path to economic growth, with-out sacrificing its achievements 3

In June, when prices were increasing by an average of 1 per cent per day and industrial activity had ground virtually to a standstill, the Government was left in no doubt that the

was left in no doubt that the expansionist policies of its first year of democratic rule had to be temporarily abandoned.

Today, in spite of pressure from the unions and some businessmen, the Government's underlying philosophy is that lower inflation and growth need no longer be mutually antagonistic and, indeed, that its political survival relies on the two being complementary.

Officials are currently putting

Officials are currently putting the final touches to the 1986 budget, which they describe currly as "not expansionary." The private assumption is that the annual inflation rate will be cut from its current 532 per cent to 30 per cent and that 4 per cent real growth can be achieved now that the recession seems to have bottomed out.

The early success of the June changes, known as the Austral

currency reforms and a sweep serious labour unrest. They ing freeze on prices and wages have inspired public confidence in the Government's ability to manage the economy.

Revenue, which in the months previous to the Austral plan had been undermined by widespread tax evasion, has increased by 3 per cent of gross domestic product while curbs on public spending have brought about savings equivalent to 5 per cent

of GDP.
The budget deficit has fallen from 12 per cent of GDP to 4 per cent, and next year's budget will aim to reduce this to 3 per

cent.
The Government is aiming to maintain a sense of collective sacrifice in a country where successive governments have traditionally awarded privileges traditionally awarded privileges to specific social groups. Wage restraint is to be maintained and made conditional on increases in productivity, even though average salaries have fallen by over 12 per cent in real terms since June real terms since June.

Officials say they will stick to their policy of not printing money to cover the public sector deficit. Tariffs on public utilities will be raised but the increase will be moderate to increase will be moderate to avoid a resurgence of infla-

The scrapping of export taxes will reflect official wishes that demand should continue to But the Government changes, known as the Austral that demand should continue to grounds for optimism in that factors—the Government's will-plan after the new currency which replaced the peso, were than domestically. Revenue is taking advantage of the more achieved with little hoarding expected to be maintained by stable price structure to tighten in the economy, and the leeway agencies to help smooth the

1,000 INFLATION 60a

the new forced savings tax on up on marketing and improve company profits and a land tax aimed at penalising farms which are not producing according to their potential yield.

1981 82 83 84 85

The clampdown on tax evasion will be reinforced by punitive interest rates on non-payment and more rigorous inspection in the banking sector and stock exchange. Some businessmen and farmers believe such measures may be counter-productive because one tax will be effectively replaced another.

product lines. Restocking has led to the reabsorption of labour laid off in August.

The private sector, however, is still being hit by high domestic interest rates. Officials privately concede that the credit policy is necessary to maintain stability on the local foreign exchange markets. The Austral plan has generated confidence, but has not entirely cured the Argentine view that speculation is the best means of survival.

A more complete recovery is likely to be dependent on two

Argentine officials believe allowed to provide the necessary context for success on both grain silos. fronts. This assumes that future loans would not be made condi-tional on the Government recent flooding in agricultural having to take measures con areas, the Government has sidered contrary to the national revised downwards its trade interest. The lifting of import tariff barriers, for instance, would leave domestic manufac-turers such as car makers dangerously exposed, officials

argue.
Key reforms being contemplated however include a major rationalisation of the Argentine system following the rationalisation of the Argentine banking system following the collapse earlier this year of the Banco de Italia y Rio de la Plata. But closures and mergers involving up to 100 banks in an oversized financial sector may provoke the Government to approach the World Bank for financial support in retraining some of the 20,000 personnel that could be affected.

Argentina does not have a comprehensive social security system and sufficiently large provisions do not appear to have been written into next year's budget for such a rationalisa-

Argentina is given on repaying way for the privatisation of a its \$48bn foreign debt. way for the privatisation of a failed companies absorbed during the former Argentine officials believe military regime. Increased by Mr James Baker, the US Treasury Secretary, should be allowed to provide the necessary

As a result of a continuing surplus forecast for next year to about \$3bn, compared with the \$4bn estimated for 1985. Officials estimate Argentina's borrowing needs will be similar.

Interest payments of about \$5bn on its foreign debt, equivalent to about 60 per cent of export carnings, have been written into next year's budget and any idea of a moratorium on payments is strongly discounted.

Growing pressure from other major debtors such as Brazil and Mexico will almost certainly mean that Argentina drives a hard bargain with its com-mercial creditors when it resumes full debt talks in advance of the expiry of its current International Monetary Fund agreement in March.

Officials warn that the 4 net cent growth target is unrealistic without external flexibility. They believe that President Alfonsin cannot count on continuing support for the Austral plan at home without more light at the end of the tunnel from

# Shultz in call for fresh approach to investment

BY OUR FOREIGN STAFF

US Secretary of State George Shultz yesterday issued a strong call to the developing countries to reduce their hostility to direct investment by the industrialised

Sc-aking to the ministerial assembly of the Organisation of American States meeting in the Colombian city of Cartagena Mr Shuitz went on to back the plan for increased international lend-ing to the Third World put forward by Mr James Baker, the US Treasury Secretary, at the International Monetary Fund-World Bank meeting in Seoul

in October.
The World Bank and the Inter-American Development Bank, he said, were 'well placed to complement the continuing revivial of the OAS as a poli-central role of the IMF provid-tical force

ing financing and advice to countries taking the essential towards

Mr Shultz acknowledged that the economic problems of the western hemisphere presented a challenge to democratic govern-

The host country, Colombia, has been particularly active in trying to push through changes to the OAS, including the reinstatement of Cuba, and the extension of membership to nations now excluded because of border disputes or other

problems.

Many members would like to scee the powers of the secretary general strengthened, and the

ing Mr Caspar Weinberger, the

defence secretary, have warned that the budget reform proposal

would result in damaging cuts in the defence budget.

in the detence burget.

Congress is still struggling to resolve major issues surrounding the current fiscal year 1986 budget and the three year \$276bn budget-cutting package which the Senate and the House of Perpresentatives approved

resolution.

The White House is also facing a decision on the tax reform issue which Mr Reagan, to the irritation of many Senate Republicans, has made his top political priority. Last month the Democratic Party-controlled House Ways and Means Committee came out with its version of the President's tax proposals

of the President's tax proposals which call for sharply increased taxes on corporations and rela-tively more help for the poor than the Treasury's tax plan. Next week, according to Ways

and Means officials, the House of Representatives is likely to

vote on this tax plan.

resolution.

# Congress returns to face key battles

BY STEWART FLEMING IN WASHINGTON to decide whether the President should veto the Bill. Some Administration officials, includ-

PRESIDENT Ronald Reagan faces a succession of potentially far-reaching decisions over the next two weeks on legislation pending on Capital Hill covering issues which the White House has identified as its top

domestic political priorities.

The US Congress had hoped to adjourn in mid-October, but reconvened yesterday amid expectations of a succession of bruising battles over budget priorities, tax reform and farm legislation. These issues will help to share the political back-ground to next year's mid-term which the Senate and the House of Representatives approved earlier in the year.

Both the House and the Senate for example have approved farm legislation which provides for continued government support for farmers at elections in which the Repub-lican Party will be struggling to retain its control of the ment support for farmers at levels well above those envisaged by both the White House and the congressional budget

The most urgent issue which Congress and the White House will have to face is still unresolved battle over the budget. Before the President left for Before the President left for Geneva Congress passed a temporary increase in the debt ceiling. Now, once again the Federal government is facing the prospect of running out of cash, this time by December 12, unless legislation to raise the Federal debt limit is approved.

The debt ceiling Bill is linked to the radical reform of the Congressional budget process, originally sponsored by Senators Phil Gram, Warren Rudman, and Ernest Hollings, which would require Congress and the President to cut government

would require Congress and the President to cut government spending progressively so as to eliminate the \$211bn Federal budget deficit by 1990 or 1991.

A conference committee of the House and the Senate is reportedly close to agreement on a compromise version of the vote on this tax blan.

If the President does, as expected, give at least mild support for the House tax reform proposal, he can hope that the tax issue will be kept alive and that the Senate will draw up a proposal more to the White House's liking. on a compromise version of the legislation. If it is approved a divided White House will have

UN finds \$100m

in emergency

aid for Bolivia

By Hugh O'Shaughnessy THE UN has raised \$100m

1 the C.N has raised \$100m 1667m) in emergency aid for Bolivia to meet the most press-ing needs of the newly elected

government of President Paz Estenssoro.

The lenders are Venezuela

(\$25m), Argentina and Spain (\$20m each), Brazil (\$15m) and

Colombia and the Andean Development (CAF) (\$10m each).

(CAF) (\$10m each).

The \$100m will be lent to Bolivia in the form of 120 to 180 day swaps which will give the Paz government time to negotiate similar amounts of length them.

longer-term finance to be guaranteed by the emergency

Mr Jarier Pérez de Cuellar.

the UN Secretary-General, is hoping to push the final aid total to \$150 or \$200m.

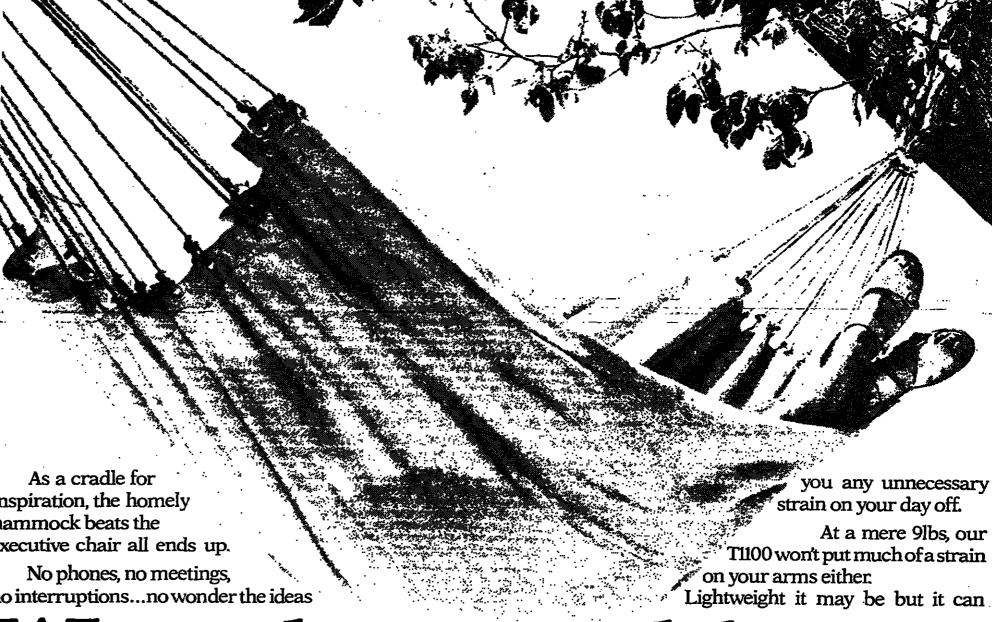
# Former minister in Bahamas on bribery charges

By Nicki Kelly in Nassau

A FORMER minister in the government of Sir Lynden Pindling, Prime Minister of the Bahamas, has been charged with bribery as a result of findings made by a 1984 commission of inquiry investigating drug trafficking and related corruption. corruption.

Mr George Smith, who resigned as Minister of Agriculture in October 1984, is culture in October 1994, is accused of accepting \$100,000 (£66,667) from Mr Edward Ward, an American drug smuggler, to remove his name from the Bahamian immigration department's restricted list. Mr Everette Bannister, a businessman and close friend businessman and close friend of the Prime Minister was charged with abetting the alleged bribery of Mr Smith.

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WE GIVE YOU MORE TIME TO THINK

BY PATRICK BLUM IN YIENNA

AUSTRIA has agreed to finance handed over to Hungary as gary in return for electricity and for having a major share of

the construction work. A deal, arranged by the Austrian Kontrollbank, has just said yesterday. been agreed with Hungary. Austrian banks will put together a financial package to cover the major part of the estimated Sch 8bn (£305m) costs for the Nagymaros Dam

costs for the Nagymaros Dam near the Czechoslovak border.

Austrian companies will carry out about 70 per cent of the work. A consortium of Austrian banks led by the the Creditanstalt Bankverein and the Oesterreichische Landerbank will be formed to put the financial package together.

of the credit. Austria's electricity needs have grown sharply and as a result, electricity imports have grown.

The decision will end several years' haggling between Austria, Hungary and Czechoslovakia about the project. Czechoslovakia has been pressing for the project to go ahead, since some of its own plans for

The deal is part of a project for a network of dams to be built jointly with Czechoslo-vakia to provide electricity and facilitate navigation on the In return for the financing and the construction contracts,

Austria will receive 1,200m kilowatt hours of electricity annually from Hungary starting The financing is not a conventional export credit. In-stead, the Austrian banks will

the construction of a major advance payment for future dam and power plant in Hun-electricity deliveries. The Hungarians will use the money to pay for the contract-ing work done by Austrian companies, a bank spokesman

> Under the agreement, Hun-gary will supply Austria with electricity for 20 years and the Verbund will pay for the electricity delivered in excess of the credit. Austria's electri-city needs have grown sharply and as a result, electricity im-

Austria, Rungary and Czecho-slovakia about the project. Czechoslovakia has been press-ing for the project to go ahead, since some of its own plans for dams and power plants were dependent on it. It has started work on a larger dam at Gab-cikovo, where the Danube marks a natural border with Hungary.

Hungary has been more hesi-tant about the project which has met environmental pro-tests and official doubts about its economic viability. Buda-pest gave the project its formal

approval last August despite widespread public opposition. The Austrian building indusprovide the Verbundgesell try and electricity companies schaft. Austria's national joined forces in a powerful electricity company, with the lobby to press the Austrian finance which will then be Government to back the project.

Matra wins FFr 3bn urban transport system order

MATRA, the French state-con-

urban transport system, VAL (Véhicule Automatique Léger), from the city of Strasbourg. This is the fourth order in barely five months for the company's high technology transport system. The Strasbourg order follows a \$100m contract to supply Chicago's O'Hare Inter-national Airport with a VAL system, a \$12m order from Jacksonville, Florida, to construct an initial experimental VAL line, and a FFr 2bn order from Toulouse in south-west France.

The latest order from Strastrolled electronics and defence bourg has given a further group, has won another FFr 3bn important boost to Matra's (£250m) order for its automtic efforts to sell its VAL techno-

In Strasbourg, the VAL system was chosen in preference to a tramway system proposed by Alsthom, the heavy engineer-ing subsidiary of the French nationalised CGE group.

Matra says the Strasbourg contract has put an end to the difficulties and the question marks on the credibility and future of its automatic transport technology. The company is hoping to clinch several other deals in the US and Europe.

# EEC, US near end of fruit subsidy row

By Paul Cheeseright in Brussels THE US and the EEC are on the point of ending a niggling dispute over canned fruit subsidies that has been a factor in aggravating commercial relations for more than three years. The main point of the canned fruit settlement is that the EEC will reduce the subsidy to peach processors by 25 per cent from next year. The subsidy is designed to bridge the gap between domestic and inter-national raw material prices.

Final agreement in the next few days — the official negotiations have to be politically endorsed — should help to ease US-EEC tension over a range of agricultural and industrial A further relaxation of ten-sion would come if the two sides could finally sign a new steel sales restraint agreement.

This is held up by the British search for guarantees on the level of sales for semi-finished products on the US market. Steel industry ministers will meet tomorrow unless the British signal their agreement before then. Nine of the Ten, plus the Commission accept the restraint agreement as it stands.
In 1982 the US asked the General Agreement on Tarius and Trade to set up a disputes panel on the canned fruits issue. It argued that payment of the subsidy upset competi-tion between EEC processors

and foreign suppliers.

The panel broadly accepted this argument last February and asked the EEC to examine how the distortion to competi-tion could be removed. Last October the EEC Council of Ministers asked the Commission to find a solution and the 25 per cent reduction is the response.
Officials noted that the amount of trade is small — US sales of 400 tonnes in 1984 but that resolution of the argument was politically impor-

China investment

US investment in China, led by involvement in China's offshore oil industry, has reached \$1bn (£114m), the official Xinhua News Agency said, AP reports. Xinhua, quoting the maga-zine Peking Review, said Americans have invested \$150m in joint ventures, \$600m in off-shore oil exploration and development, and the rest in other types of business.

Trade Minister, Mr Jermu Laine, said credit limits would need clarifying before agreement could be reached.

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Peter Bruce in Bonn reports on a US challenge to restrictions it views as unreasonable

# W. German telecom market under attack

communications market is expected to come under strong attack in two days of trade talks with the U.S. starting in Munich today.

The talks, offered reluctantly by Bonn last summer after it had become clear that the US regards entry into the West German telecoms market as a potentially serious trade irritant between the two, have been delayed for more than two months by the US to allow its officials to build up their case.

The US believes the West German telecoms monopoly, the Bundespost, is unreasonably restrictive in the range of equipment it allows to be connected up to its transmission system, that it discriminates against non-German equipment suppliers and that its high tariffs are determined politically and bear little relation to the demands of the market.

The German Posts Minister, Mr Christian Schwarz-Schilling, was first made aware of the US concern when he met Mr Malcolm Baldrige, the US Commerce Secretary, in Washington in July, Despite an offer from Bonn to discuss the issue in depth, the Bundespost has subsequently appeared on two US Government lists detailing trade problems which might require action from Washington. Because telecommunications

WEST GERMANY'S tightly are not covered by existing controlled and expensive tele-trade regulating agencies, the negotiations have bilateral. They are also highly sensitive. Some officials in Bonn believe the Bundespost has been needlessly panicked into offering the talks and warn that any concessions on US complaints would lead to a flood of similar pressures from European Community members.

Today's talks are also important, in that the flow of data between two countries is to be discussed as a trade issue. US financial institutions, led by American Express in this case complain that the Bundespost's technical regulations make it difficult to service customers with computer data economic-ally. Other banks have pointed out that transmission rates on leased lines in West Germany are nearly three times higher

The US delegation, including representatives from industry and the Commerce and State Departments, is being led by Mr H. P. Goldfield and Mr Rodney Joyce, both Assistant Secre-taries in the Commerce Department and experts in trade and telecoms respectively.

Washington is thought to have identified at least six broad areas for discussion; it is arguing that equipment tender-ing procedures are selective and discriminatory; that the Bundespost, having decided to acquire new equipment, some-

Mr Malcolm Baldrige

times collaborates with selected supplies (mostly German) on design, instead of remaining neutral; that product standards are seldom clear; that the equipment testing and certification process may be biased towards local suppliers and that the authorities are highly restrictive in deciding what equipment may be connected to the Bundespost

The Bundespost might in any case soon be forced to modify its attachments policy. The European Commission in Brussels is expected to rule on December 16 that users should be free to connect modems of

their choice to Bundespost lines. At the moment, the German authorities allow only a handful of modems to be used, most of them German.

By far the most important US complaint, however, is likely to fall under the heading of "network administration." American users—joined by a host of other European and even domestic users—have complained bitterly about a recent Bundespost decision to intro-duce volume tariffs on leased lines, affecting mainly large telecoms users. Some users say the new tariff schedule could triple already high telecoms

The Bundespost disputes this and claims that it is merely modernising its charging system to match new technologies. Mr Schwarz-Schilling will today announce details of a new tele-communications plan for the next decade. It will include a formal announcement on volume tariffs-or, as the Bundespost puts it-charging business and private users the same way—a simplification of telecoms regulations and a probable fall in tariff income of more than DM 300m (£80m) a year from

But the Bundespost is also under great pressure from the West German Economics west Lerman Economics
Ministry and, to an extent,
the Technology Ministry
to soften its position on
cross-border data flows and

while it is unlikely so soon to reverse policy on tariffs, some observers expect it to make concessions on technology.

At present companies transmitting data from the US to West Germany are, theoretically at least, also subject to the Bundespost's technical standards on the type of equipment used on the US side of the con-

nection. The Germans, who have assembled a team of negotiators assembled a team to hegotacity from the Bundespost, the Foreign Ministry, the Economics Ministry, the Technology Ministry and two major industry associations, plan to counter the US pressure by arguing that bilateral trade in telecompany is munications equipment is roughly equal.

US claims that West German suppliers sold \$140m worth of lecommunications equipment in America last year while US companies exported only \$9m worth to Germany were rejected by Mr Schwarz-Schilling in July. Bonn argues that computers are part of the telecommunications network and that US com-puter producers are among the market leaders here.

The Munistralks are likely to lead to more talks even if they do end with concrete agree-ment on some points. For the Bundespost, which is under attack inside and outside the country to deregulate, today's meeting could prove the thin end of a big wedge.

### **Moscow offers** new trade deal to Helsinki

THE Soviet Union has propose a new credit system to expand trade with its second largest Western trade partner. Finland. Reuter reports from Helsinki. The proposal would involve Finnish credits to help modernise Soviet industries. which Moscow would repay with goods produced.

The Soviet Ambassador to Finland, Mr Vladimir Sobolev, said yesterday that a new form of compensatory trade could guarantee trade growth between the two countries. Detailed talks on a 1936 trade agreement start in Moscow later this month.

But the Finnish Foreign

But the Finnish Foreign

# East-West trade leap unlikely

BY DAVID BUCHAN

THE NEW five-year plans in the Soviet bloc economies are unlikely to spur the upsurge in East-West trade normally associated with their inception. The forecast that next year, when the plans are due to start. will see only modest growth in trade between East and West emerges from the latest annual report of the UN Economic Commission for Europe (ECE). the only economic organisati to group countries from both East and West.

Only modest growth is expected because Eastern Europe's exports have slowed and Soviet exports have fallen sharply this year. In addition, none of the Eastern countries wants to, or can, sustain increased imports on borrowed Western money alone.

The ECE is also forecasting

Nineteen eighty-five was the year, according to the ECE, when Eastern Europe's remarkable export recovery began to falter, after exports to the

Smaller sales to the West of fuel, petroleum products, steel and chemicals produced a 2 per cent decline in the volume of East European exports to the West in the first half of this

year.
The drop in Soviet exports to the West was more dramatic, 14 per cent in the same period of 1985.

1985.

Eastern Europe's imports from the West rose 4 per cent, against the first half of 1984.

Increased purchases of Western raw materials and intermediate goods for factory production offsetting lower food imports as a result of better East European harvests in the past two years. By contrast, food accounted overwhelmingly for the 9 per cent increase in the volume of Soviet imports from the West in the first six months of this year, because of the bad Soviet harvest of 1984.

Siberian oil production problems, and their impact on Soviet export earnings, have

been well documented.

But the ECE report highlights the extent to which

### China N-plant contract likely 'in 2 months'

By David Dodwell in Hong Kong BRITISH and French con-tractors hoping to build China's first nuclear power plant at Daya Bay in the country's Southern Guangdong Province expect the contract to be con-cluded within two months, a senior British trade official said in Hong Kong yesterday. Mr Christian Adams, Britain's Trade Commissioner in Hong Kong, said that contractual and technical disagreements had been resolved, with the only outstanding issue being that of price, The total cost is expected to be about \$3.5bn (£2.5bn).

Negotiations between China and the two main suppliers, Framatome of France and GEC of the UK, began in Peking

over five years ago.

They have never been easy, and in recent months have been fraught with brinkmanship with China warning it might invite tenders from other suppliers. GEC negotiators at one point abandoned talks over the supply of the conventional part of the plant and returned to London. Framatome, the French nuclear power group that hopes to supply the nuclear part of the plant, also reported differences. Its negotiators stayed in Peking, but called for a "pause" in talks. China was then pressing for price cuts of between 20 and 25 per cent

# THE WEST'S TRADE BALANCE WITH THE EAST \$(bn)

(Jan-June) **—3.7** With Eastern Europe ~0.3 -1.2 -2,3 -2.2 Source: UNECE, Geneva.

> Eastern Europe has also depended on petroleum and petroleum-product exports for a major portion of its East-West trade. Eastern Europe is, however.

receiving less crude from the Soviet Union because of the Siberian slowdown, and from the Middle East where many countries have reduced their own purchases from Eastern that the West's trade deficit own pu with Eastern Europe will nar- Europe. At the same time some oil re-

exporting countries in Eastern Europe, notably Bulgaria and Romania, have serious energy shortages of their own. The caution in the ECE's and 16 per cent in 1983 and next year is based on the 1984, respectively.

Soviet bloc's 1986-90 plans for higher output and investment rates, its ability to increase imports is restrained by supply and demand constraints on its

and demand constraints on its hard currency exports.
Western Europe takes more than 90 per cent of total Soviet bloc exports to industrialised countries. The ECE, however, sees little change in Western Europe's present output growth rate of 2-2.5 per cent a year, and therefore virtually un-

changed demand for Eastern

In any case, since the mid-1970s, the East has been losing Western market share of chemicals and various consumer goods, and in machinery and equipment which are relatively more important for the more industrialised East European countries than for the Soviet Union. Only in sales of steel have gains in market share been made, but this trade is heavily regulated in the West.

Western trade deficit with the Soviet Union and its six East European partners in Comecon. rose to a total of \$6bn (£4.2bn) last year, seems to be shrinking.
The ECE forecasts that the
West's trade deficit with
Eastern Europe will narrow from \$3.7bn last year to around \$2.4bn this year, while its de-ficit with the Soviet Union could

disappear this year. Comecon countries except Poland and Romania had access to more money on better terms from Western banks in 1985, and generally made more use of official credits guaranteed by Western governments,

### **NEC** to raise chip export price to US By Carla Rapoport in Tokyo

NEC, one of Japan's largest June)

-1.3

1.7

-1.4

1.7

0.4

NEC, one of Japan's largest semiconductor makers, yesterday confirmed that it will raise the export price of its semiconductors to the US by 20 percent because of the recent appreciation of the yen against the dollar.

Japanese semiconductor makers have come under fierce attack by US makers who have claimed the Japanese companies have been "dumping" their chips in the US. The issue is currently the subject of a complaint to the US Government by the country's chip manufacturers.

The company said yesterday that the move was partly aimed at heading off further criticism of Japan's huge trade imbalance with the US. The yen's climb against the dollar in the past month has been close to 15 per cent. prompting many companies to increase export prices. Currently, none of the Japanese chip makers are making much money on their 64K and 256K memory chips the market, so a price rise was

not unexpected.
Other major Japanese makers are expected to follow NEC's lead because most would like to see higher prices and improved margins.

Our Trade Staff writes: Wine and spirit producers from 22 countries, including the Scotch whisky industry, vesterday called on the Japanese Govern ment to reform its system of taxing alcoholic drinks which they claim is a barrier to fair

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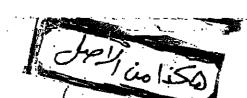
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Limited	Ordinary	57	Interim	500	
Marievale Consolidated Mines Limited	Ordinary	91	Final	35	==
St. Helena Gold Mines Limited Stiffantein Gold Mining Company	Ordinary	61	Final	290	70 450
Limited	Ordinary	63	Foral	150	
The Grootviel Proprietary Mines Limited	Ordinary	94	Final	132	560
West Rand Consolidated Mines Limited	Ordinary	108	Final	150 95 80	180 120

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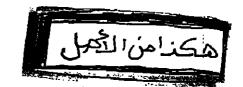
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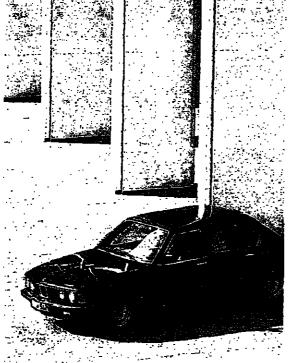
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"Highline" also stands for an unrivalled and comprehensive list of standard fittings and accessories: for instance, electrically adjustable

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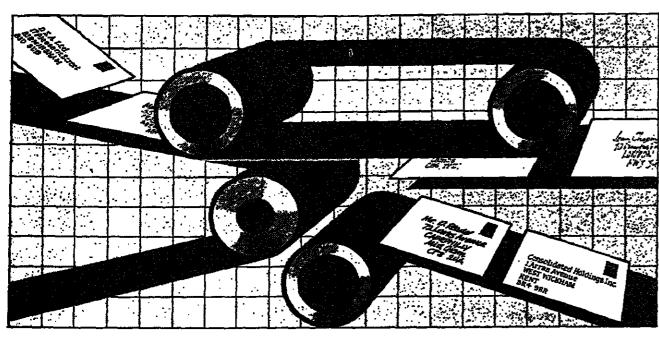
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# **UK NEWS**

# opponents try to BY WILLIAM DAWKINS limit bill

OPPONENTS of the introduction of commercial management at the Royal Dockyards plan to try to amend the enabling bill to create "impossible barriers" for contractors.

The proposed amendments to the bill, which received its second reading in the House of ions yesterday, will be designed to strengthen saleguards against control of the dockyards passing into hands inappropriate

to British defence interests. However, Mr Jack Dromey, secretary of the union side of the shipbuilding trades' joint coun-cil, admitted that the other aim of the amendments to the bill was to "delay its passage and

damage its contents."

One likely amendment will specify a "golden share" in pub-lic limited companies set up for the dockyards at Rosyth, east Scotland, and Devonport, Plymouth, with prescribed restric-tions on foreign or undesirable interests in operating companies which would take over the share

· A second likely amendment will require parliamentary con-sent for the dockyard franchises and will stipulate that certain information and undertakings be given to Parliament.

The unions and other opponents of the bill believe that contractors are being discouraged from pursuing their earlier interests in the dockyards. At Devon-port, it is claimed, only two par-ties - British Aerospace and a group led by Trafalgar House are still actively interested out of eight initial potential

As evidence of growing unease on the Government's part, the unions cite the provision lately written into the bill, for the dockyards to remain fully in the public sector if there were no suitable contractors.

# Britain still undecided over krugerrand ban

By fvor-Owen ----

SIX WEEKS after Commonwealth prime ministers called for a han on the import of South African krugerrands, Britain has still to decide what action to take, Lord Lucas of Chilworth, Industry, told the House of Lords vesterday.

Lord Bruce, Labour's chief pokesman on trade and industry in the Lords, and Barones Seear, leader of the Liberal peers, criticised the Government's tardiness in implementing one of the few measures agreed by the Commonwealth conference as a practical demonstration of opposition to the op-eration of apartheid.

Lord Bruce questioned whether the Government had any intention of carrying out its original expressed intention to impose the ban. Lady Seear said that the general impression giv-en at the time was that the ban would "come in very quickly."

Lord Lucas explained that the

Government was considering what action might be possible "consistent with the UK's wider international obligations." He told Lady Seear, "I cannot answer for impressions gained by other people."

# Dockyards' Small businesses seek more trained managers

BRITAIN is no longer short of entrepreneurs but small businesses still suffer from a dearth of trained managers, Mr Ronald Cohen, chairman of the British Venture Capital Association (BVCA), said yesterday. Opening the third Financial Times/BVCA Financial Forum in London, Mr Cohen said: "The problem I and my colleagues come up with most often these days is attracting trained management. Managers in the UK are still undecided

whether it is worth the risk leaving

the security of big company em-ployment with pension rights and The venture capital industry owed much of its growth to the Government's support, but more help was still needed, said Mr Cohen. Among other possible reforms, he suggested that big company executives should be permitted to use their pension rights as collateral for loans to invest in new ventures in

Mr John Moore, Financial Secretary to the Treasury, said the Gov-ernment was pletiged to "a range of FINANCIAL TIMES VENTURE CAPITAL CONFERENCE

The expansion of the British venture capital industry in recent years had been spectacular, but there was still evidence, said Mr Moore, that too attract smaller sums of between £100,000 and £150,000.

He highlighted the role played by the Business Expansion Scheme (BES) in filling that gap. Mr Moore said that 55 per cent of the more than 700 companies which attracted finance under the scheme in 1983-84 raised less than £100,000. Of the £105m invested in the scheme during the period, 40 per cent went into manufacturing ven-

did not reach before. And the risk profile of BES investments appears to be different to the venture capital industry as a whole, with a higher weighting towards riskier high technology investments, said Mr

Moore. His statement will do something to answer many observers' criti-cisms that the BES has attracted too many relatively safe assetbacked investment proposals at the expense of riskier trading compa-

The Government has just received a report on the scheme, com-missioned from accountants Peat Marwick, but will not be setting out its views on any possible changes to the BES until the next budget.

Mr Moore promised yesterday that the Government would continue to support the scheme. The BES has been a shot in the arm for industry and for small businesses in general," he said.

The forum, attended by 160 fund managers, corporate advisers and small business representatives, provides an opportunity for manage to pitch for investment in front of ernment was pledged to "a range of measures to improve the quality of the workforce, to lift regulatory burdens on business and to encourburdens or business are business and to encourburdens or business and to encourburdens or business and to encourburdens or business are business and to encourburdens or business are business an

# Plea to reduce tax burden

needed to encourage experienced executives to leave the security of jobs in large companies to manage small businesses, Britain's leading venture capitalists said yesterday.

Brilliantly innovative products

are simply not enough to guarantee success. They must be coupled with the direction of skilled management," said the British Venture Capital Association (BVCA) in its 1986 budget submission, published

The association, which represents 65 venture capital groups, called on the Chancellor of the Exchequer, Mr Nigel Lawson, to intro-duce a range of tax incentives for

venture capital funds.

It suggested that managers of companies qualifying for the Busi-ness Expansion Scheme should be allowed to offset the cost of investing in their own ventures against their taxable income for the three years before making the investment. Similar relief already is available for sole traders.

Managers and staff should also ital gains tax for up to five years after their company had started trad-ing, said BVCA, which is also call-

MORE INCENTIVES are urgently reduce the tax burden on on-shore These measures would bring the tax treatment of British executives of new ventures more in line with their new counterparts, said the association. It deplored the fact that investments held by UK-based venture capital funds attracted tax twice - corporation tax on charge-able gains in the hands of the fund and capital gains tax charged to shareholders when the fund is liqui-

This meant that most funds had be allowed to sell shares free of cap- to be established offshore - an expensive and time-consuming process," said the association.

One way round the problem, it ing for the abolition of the £100,000 suggested, would be to make it eas-limit on the value of shares distrib-ier for venture capital funds to opsuggested, would be to make it easmanagers wishing to invest in their uted under an approved share operate as limited partnerships, a solution adopted by many US groups.

# Retail slide bigger than estimated

BY MICHAEL PROWSE

RETAIL SPENDING was more de-It also released figures showing months and 4 per cent higher than that the overall level of consumer in the same period in 1984. The credit rose sharply in October. credit rose sharply in October.

1.2 per cent decline indicated by the in the three months to October and DTT's preliminary estimate. The fall a 5.7 per cent decline followed a 1.4 per cent decline in tember and October. September. The department's index of retail sales now stands at 114.1, compared with a peak of 117.5 in

Volume of retail sales fell by 1.6 ing and footwear, which experiper cent in October - more than the enced a 1 per cent decline in sales

The overall level of new credit new credit was up, the portion advanced by finance houses, retail- advanced by retailers declined in ers and other specialist lenders was October.

Officials pointed out that in the £1.15bn in October, 2 per cent highpressed in October than previously three months August to October, er than in September and the largestimated, the Department of Trade the level of sales was about the est monthly total since January. To and Industry (DTI) said yesterday. same as in the previous three tal advances between August and October were 8 per cent higher than in the previous three months. -

> conflict between the sluggish retail sales figures and the buoyancy of two sets of statistics did not always move in step, and although total

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# Lawson faces clash on policies

THE GOVERNMENT yesterday took issue with a House of Lords

**Industrial** 

report by

challenged

Lords

require a plan for action.

He said the fall in the relative im-

risen by 11 per cent, manufacturing output ma-risen by 11 per cent, manufacturing investment by around 25 per cent and manufacturing productivity by 31 per cent," he said.

O A REFUSAL to employ three Cardiff-based Somali seamen on the P&O liner Uganda when it was requisitioned for the Falklands war was not unlawful racial discrimination. The Cause of American steel

tion, the Court of Appeal ruled

The admitted discrimination

against the three was not an of-fence under the 1976 Race Rela-

tions Act, the court said, because it had been contemplated at the time that the ship would not enter Brit-ish territorial waters.

An appeal by the seamen against a ruling by the Employment Ap-peals Tribunal was dismissed. They had sought compensation from the General Council of British Ship-

ping, which through its recruiting arm, the Merchant Navy Establish-

ment, finds crews for shipowners.

ANGLESEY ALUMINIUM has

yesterday.

MR NIGEL LAWSON, the Chancel committee report on the state of Britain's manufacturing industries, for of the Exchequer, is set to clash with both the Trades Union Conwrites Frank Grey. gress (TUC) and the Confederation of British Industry (CBI) over gov-It said the report gave "insuffi-cient weight" to policies which were aimed at supporting the sustained recovery of the economy. ernment macrosconomio policies in general and his autumn statement in particular at the monthly meet ing of the National Economic Development Council (NEDC) tomorrow. Lord Luces, parliamentary Un-der-Secretary for Trade and Indus-try, suggested that the problems did not amount to a crisis and did not

Both the CBI and the TUC see note the tablement as doing little or nothing for industry and jobs. They believe the Chancellor has done nothing to accommodate the critiportance of manufacturing was not a recent phenomenon. It had hap pened in other western economies.

Compared with their troughs in 1981-82, manufacturing output has teen but It are cent manufacturing. cism made of its economic policies in the recent House of Lords select committee report on overseas trade,

That report said that the Government "should adopt macroeconomic policies which favour manufacturing and trade and are applied consistently" and that the NEDC should be made more effective in industrial questions.

In a paper to be put to the NEDC, the TUC strongly criticises the Government's macroeconomic stance, It asks whether the council agrees that, on current policies, the UK's trade and investment policies will detail and investment policies will be supported in 1888 and published. deteriorate in 1986, and whether agrees that the balance and level of growth could be adjusted to make it more beneficial to UK industry.

It is not yet clear how far the CBI will allow itself to be drawn into a common front with the TUC against the Government. It has already criticised the autumn statement for doing nothing for industry and has conducted a long and increasingly vocal campaign aimed at getting interest rates down.

It is likely to argue again that the appreciation of starling, and the likely fall in the retail price index over the first half of next year, makes a cut in interest rates more feasible, It will reject the argument that no interest rate reduction can be envisaged until real pay in-

Opinions will also differ ove whether the council should discuss the issue of labour flexibility, the Special Subscription

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# John Moore analyses a long-running Lloyd's controversy

# Worry persists over Unimar

SINCE THE end of 1981, insurance underwriters and brokers at Lloyd's, the London insurance mar-Lloyd's, the London insurance mar-ket, have been speculating about when they feel they do not have the the events surrounding the socalled "Unimar affair."

. . .

•

The state of the s

It is the one controversy in Lloyd's which refuses to abate nearly four years after an internal investigation was carried out in Lloyd's into the affair. It threatens to become a political issue as some Labour Members of Parliament raise the question of the effective-

ness of regulation at Lloyd's. For nearly three years inspectors appointed by the Department of Trade and Industry have been carrying out an investigation into the Unimar matter. This has been as part of a much wider inquiry into the events leading up to allegations that more than £40m had been misappropriated from the Lloyd's insurance market by Mr Peter Camerop-Webb and Mr Peter Dixon, two former leading Lloyd's

An interim report has been passed to the office of the Director of Public Prosecutions by the Trade Department inspectors on the

Unimar matter. The story of the Unimar affair began in the late 1970s. From 1978 Mr Cameron-Webb, then a leading Unimar. No business flowed to the Lloyd's underwriter, channelled syndicates from Unimar. "Unimar The story of the Unimar affair bebusiness of about 1,000 underwriting members of Lloyd's to an insurance specialist company in Monte

the form of reinsurance, via a members after a Lloyd's insurance broker called investigation.

Workers (TGWU) yesterday bowed

BY PHILIP BASSETT, LABOUR CORRESPONDENT

Reinsurance is used by insurance financial strength to carry those risks on their their own books. Reinsurance, in effect, is an insurance policy arranged by insurance groups to protect themselves against onerous losses. In the Unimar link reinsurance was used

with rather different aims. Under the arrangement with Unimar, Mr Cameron-Webb said it was planned that Unimar would receive fees and commissions from Mr Cameron-Webb's underwriting members in return for generating reinsurance business for his two Lloyd's syndicates - number 810 and 869. The syndicates were formed of about 1,000 members of

Lloyd's, Moreover, Unimar would also participate in reinsuring the two syndicates at Lloyd's. The money that found its way to Unimar was to be used at Mr Cameron-Webb's instructions to make payments in the form of "commissions" to attract other business to the syndicates. In Lloyd's it was described as a "slush

were in fact unable to generate the business in the way that had been contemplated," Mr Dixon, chairman Carlo called Unimar S.A.M. of the PCW Underwriting agency,
The business was channelled to which Mr Cameron-Webb had
Unimar by Mr Cameron-Webb in founded, later told the underwriting

of securing a change.

During the commercial relation-ship that Mr Cameron-Webb had with Unimar, two employees at Seascope, a broker and an executive responsible for processing the documents, who was also a member of the PCW syndicates, expressed con-cern about the operation of the con-tract and the commission payments to Unimar.

The broker who left Seascope complained to the then chairman of Lloyd's, Sir Peter Green, about the operation of the contract with Unimar and questioned why business was being placed with a relatively unknown entity like Unimar.

Sir Peter held his own personal inquiry into the Unimar affair at the end of 1981. He later came under criticism from brokers and underwriters in the market for pot es-tablishing a fully independent in-quiry, Mr Cameron-Webb had been a former business associate of Sir Peter, working with Sir Peter's Janson Green agency at Lloyd's in the 1960 s. Members of Lloyd's argued that to avoid criticism of any par-tiality, however unfounded, he should not have carried out the inquiry himself.

Sir Peter concluded his inquiries when more than £400,000 of funds belonging to the underwriting members was returned to the syndicates. Mr Cameron-Webb by then had retired from Lloyd's to work abroad and later resigned his membership of the market in 1983.

The affair was later reopened when it was discovered that more than £40m of money belonging to

the underwriting members was missing. Mr Simon Tuckey, QC, has carried out an internal investiga-tion at Lloyd's into the relationship of Mr Cameron-Webb with Unimar. Mr Peter Miller, Lloyd's chairman, told Lloyd's members earlier this year that Mr Tuckey had con-firmed Sir Peter's findings "that

there had been no dishonesty in he Unimar affair, Mr Miller explained that Mr Tuckey had said in his report: "I do not think that there was any attempt by the chairman of Lloyd's (Sir Peter Green) to cover up anything either before or during the course of his informal inquiry. Dur-ing the inquiry he asked all the

right questions and concluded rightly in my view, that there had What has worried underwriters at Lloyd's is that the ultimate beneficial ewnership of the Unimar com pany has never been disclosed, and to what extent there were, if any, indirect shareholding links with business interests of Mr Cameron-

Unimar also channelled syndi-cate funds to Switzerland. Underwriting members who have currently mounted legal action in connec tion with the way their affairs have been conducted in the past by Mr Cameron-Webb and his PCW agency are worried that they have not received a full account of their

So far Lioyd's has not published an account of its findings of two in-quiries into the Unimar-affair. Until it does so the controversy will

Union bows to election criticism LEADERS OF Britain's biggest meeting of the TGWU's rules review With direct reference to the legal union, the Transport and General sion conference with the clear aim and financial problems of the min-

The union's now-likely compli-ance with the law over its elections will further strengthen the case of those unions - among which, up to now, the TGWU has been promi-nent - arguing that no disciplinary action should be taken against the AUEW engineering workers' and EETPU electricians' unions for ac-cepting Covernment money to fund

yesterday's about-turn means that the union's executive will now recommend to a specially convened conference that direct elections should be held for all the execu-

abolition of tea breaks.

### given a full-time official of the electricians' union, the EETPU, final say in disputes over implementing new flexibility arrangements. It is part of a wide-ranging agreement negotiated between the North Wales aluminium smelter and the union which represents 700 process. ers' union, he said: "They are not going to wound our union." to media and government pressure and announced that they are to rec-The decision is likely to be a wa-TGWU leaders were fearful that individual members would beed the tershed in the union's attitude to-wards the Government's labour tive's 39 seats. The union's now-likely compliommend a change to the union's internal election procedures to bring legislation, and ministers are likely weekend call from Mr Kenneth them into line with the Governseize on it as further vindication Clarke, Employment Minister, to ment's employment legislation. After sharp criticism of the of the law.

cepting Government money to fund their own postal ballots.

### take legal action against it because part of its executive - members representing particular industries - is not directly elected by the union's membership, as required by the 1984 Trade Union Act. union, which represents 700 process Mr Ron Todd, TGWU general sec-retary, said that although the union's policy-making conference TGWU's procedures for electing its executive council by Government The agreement, which runs for 18 months, includes an 8 per cent pay ministers at the weekend and by had five months ago reaffirmed its newspaper campaigns over the past three weeks, the union's executive opposition to the law, the executive on the first day of its quarterly had to act to maintain both the fabmeeting decided to call a special ric of the union, and its finances. increase, cut in hours, new shift roother important item on the tas, better pensions and the Leaders of the union had been stoutly defending its practices, but



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MR JOHN PRESCOTT, the Labour Party's spokesman on industry, yes terday criticised the amount of for eign-made components in British-built cars and said that the UK industry was becoming "a Meccano operation just involving assembly." Meccano was a brand of toy engineering kit.
Launching Labour's plan for the

**UK** motor

industry

'Meccano

operation'

By Ian Hamilton Fazey

motor industry at meetings with union officials from Ford and Vaux-hall plants, he described the sector as "strategically crucial to the re-covery of British manufacturing." Failure to do more research, development, design, and manufacture in Britain would affect the ceramics, plastics, rubber and components industries, as well as the emergence of technologies such as robotics.

A Labour government would compel more British manufacturing, while giving financial aid, introducing import controls within Gatt rules and controlling and stabilising the valid of sterling to help exports, he said.

Mr Prescott listed Labour's main plans for the industry as:

More strategic investment in technology, research and training.

Government assistance to enable
BL, the state-owned group, to become a full-range designer and Multinationals to increase com-

mitments to manufacturing, rather than assembly, in Britain.

Backing for Land Rover, Jaguar and Rolls-Royce to invest and increase home and export sales. Help for Leyland Truck to make a wider range of vehicles, with pub-

ic funding of investment to produce key components.

Harnessing of new technologies by the components industry, with closer relationships between car manufacturers and UK suppliers. ● A stable and more competitive level of sterling to help expansion of both UK sales and exports. This would also help multinationals in Britain to export more than they

bought in from abroad.

Mr Prescott dismissed sugges tions that jobs lost in manufactur ing could be replaced by service industries. Manufacturing used to account for 25 per cent of both gross domestic product and jobs, he said.

# UK and France differ over timetable for electricity link

beginning of the spring.

timates, it is believed to be causing some confusion among the UK elec-

tricity industry's long-range plan-ning staff, who are basing their

He believed that the British ma-chine tool industry had missed the

opportunity to amalgamate and

that the Japanese were poised to dominate the world market for

He claimed that MFL, which had

market and was increasing its

The company, formed from Ber-thiez, Lyon, St-Etienne Machine

Outil and TMI Forest, had considerable advantages in the range of ma-chine tools it made, he added.

1981 to 1,120.

BY MAURICE SAMUELSON

French electricity industries about the date for initial large-scale use of preciation of how long it will take," the new £760m underwater cables linking their national grids.

Both utilities agree that, after the failure of the initial tests of the system at the end of October, the first be very glad if the CEGB is right trial power flows are now likely to be carried out before the end of December. But they give different timetables for the start of steady bulk transfers.

In a letter in today's Financial Times, Mr Fred Bonner, deputy chairman of the Central Electricity Generating Board, writes that it is hoped to commission the first half of the 2,000 Mw link before the

Yesterday, however, Electricité forecasts on the CEGB statement. de France (EdF) said that while it — It has also been brought to the athoped that the CEGB would be tention of the House of Commons proved correct, it took the more pru-select committee for energy, to dent view that the first commercial which Mr Bonner and Mr Philip transfers of 500 Mw would not be- Jones, chairman of the Electricity

A SHARP difference of opinion has gin until March or April, building emerged between the British and up to 1,000 Mw by next summer.

French electricity industries about "it's only a difference in our apthe progress of the link across the the progress of the link across the English Channel. said Mr Manuel Polyatos, head of The crux of the difference bethe EdF's commercial department.

tween the two sides is the extent to "There is no difference in the wish which cheap imported power from France will help to meet the demand in Britain over the coming and we are on 1,000 Mw at the

The CEGB appears to have been hoping that the link would be in use before the coldest part of the win-ter, which usually occurs in Janua-"I hope that the CEGB will be proved right. But it is not enough to ry or February. To judge by Mr hope. It depends on solving the technical problems." Polyatos's more cautious remarks this seems doubtful. Although both EdF and CEGB have played down their differing es-

There is no question of British electricity supplies being endan-gered by any delay in the French connection. As Mr Bonner notes in his letter, the electricity transfer will be bought on an "interruptible" basis and cannot therefore be con-sidered as part of Britain's electricity supply capacity.

# French tool maker eyes UK market

MACHINES Françaises Lourdes (MFL), the heavy machine-tool company formed in 1982 out of four ailing French manufacturers, aims to capture up to 25 per cent of the UK market in the next three years.

The company's plans were outlined in Coventry yesterday by its president, Mr Louis Tardy who also warned that British state aid to Japmese machine-tool manufacture in the UK was "a grave mistake."
He said that French government

assistance in forming MFL had proved very successful, with break-even about to be achieved this year on a turnover of FFr 602m (£53m). Major shareholders in MFL are the French Government and impor-tant customers such as Dassault, Renault, Snecma and Aérospatiale. The company has recently pur-chased Goldsworthy Engineering of the US, the specialist in composite

Mr Tardy said that the company recently had won important con-tracts in Britain from GKN Sankey and Austin Rover and regarded Britain as one of its prime targets

# New chief for **Pilkington** high-tech unit

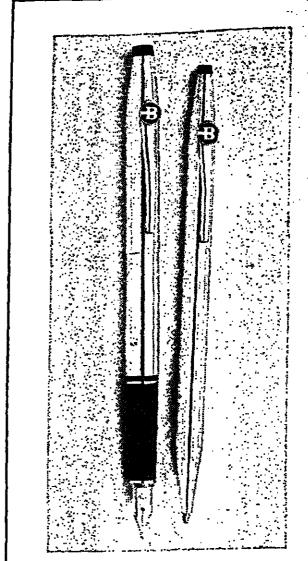
By David Fishlock SIR ROBIN NICHOLSON, the Government's chief scientific adviser for four years, is to join Pilkington, the diversified glass group, as chief executive and chairman-designat of its advanced-technology division Pilkington's electro-optical divi-

sion is the company's fastest-growing sector, with a turnover of £80m last year. recently invested £18m in its plants at St-Etienne, Albert and Capdenac, was now among the most modern manufacturers in the world. The company, with sales world-wide of £1.225bn, has said that it is Each facility was linked by intelooking to electro-optics for a subgrated computer-aided design sys-tems and the total workforce had stantial part of its future earnings.

The division spans defence, in-dustrial and medical uses of electrobeen reduced from 2,500 people in optics, which marries the latest electronics to new optical tech-niques such as laser holography. Mr Tardy said heavy investment had been made in worldwide mar-keting with an increase in staff abroad, regarded as essential to im-

At the Government's suggestion, Sir Robin, a metallurgist, was sec-onded by the Canadian mining prove sales and servicing, MFL now held about 60 per cent of the French group Inco to become chief scientist to the Cabinet Office "think tank" and science adviser to Mrs Margaret Thatcher, the Prime Minister

The "think tank" was disbanded but Sir Robin's services were retained and he built up a strong science secretarist in the Cabinet



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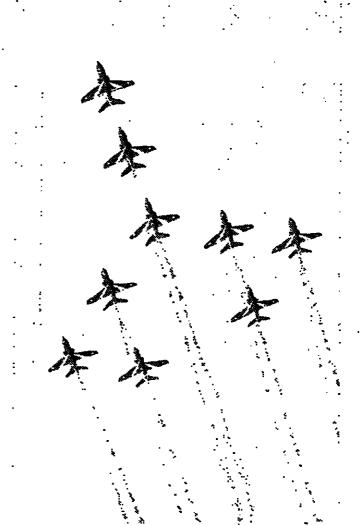
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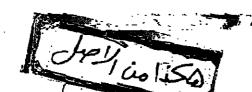
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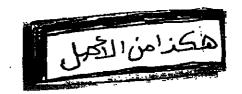
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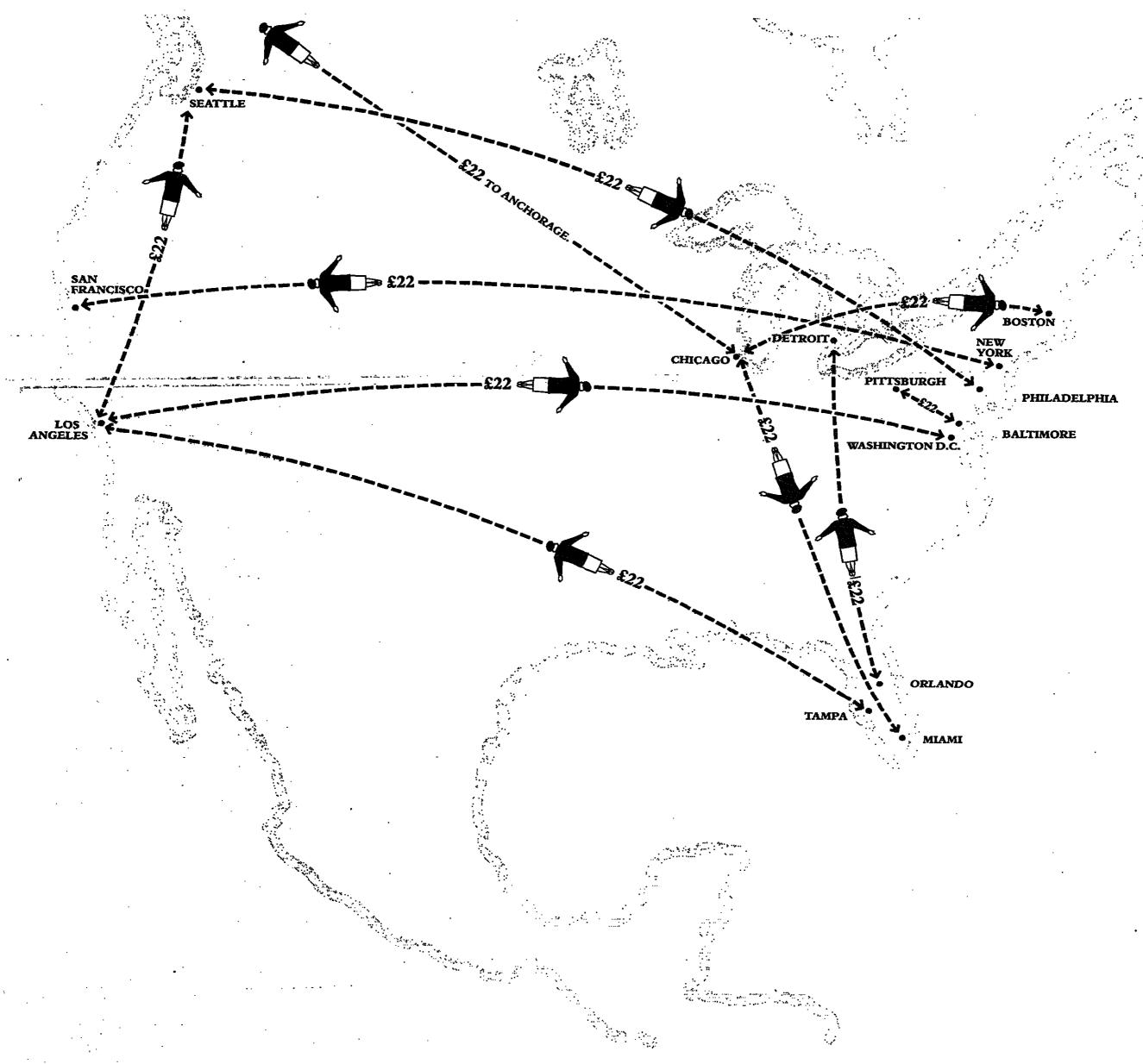
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# Painting an independent scenario

William Dawkins on the buy-out of a specialist offshoot from a chemicals trader

"TWO YEARS ago, the first things we would look at in the morning post were the orders. Now we open the cheques first." That impression of how making the switch from employee to business owner can change one's priorities comes from David Tandy, 32-year-old managing director of Corroless International, a Basingstoke-based supplier of anti-corrosion paints and powders and high performance lubricants.

Tandy and his two colleagues. Tandy and his two colleagues.
Peter Stockley and Philip
Robertson, paid £650,000 at the
end of last year with the help
of Fountain Development
Capital, the Hill Samuel offshoot, to buy their fastexpanding business from
Chemineorp, a medium-sized
chemicals trader based in
Mitcham.

since grown to £2.5m, accorda recent valuation by accountants Peat Marwick Mitchell — and with sales set to double from £1.5m to £3m in the current year to next June, Corroless is running well ahead of the team's most optimistic hopes,

In the process. Corroless' directors have come to recognise some of the practical benefits of having an experienced venture capitalist on hand to heln tackle the challenges involved in exchanging the protection of a corporate parent for an independent existence.

The personal strains of making that transformation can be considerable, as was underlined by the tragic death in August
— at least partly caused by
overwork— of Robertson, the sales director.

Corroless began three years ago when Chemincorp purchased the world rights for a range of rust stabilising paints from Corns Cremer, the German company which developed the

UK demand for Corroless's anti-rust paints grew fast. Unnitrust paints grew last. On-like cheaper equivalents pro-duced in bulk by much larger companies like International Paints or Berger, they could be applied directly onto corroded urfaces, so avoiding the need or expensive shot-blasting. This is particularly useful for wet and dangerous structures like North Sea oil rigs.



David Tandy (left) and Peter Stockley: sales set to double this year

Sales accordingly rose from £300,000 annually to £911,000 during the two years to June 1984. But Tandy felt that his market in the steel construction and oil industries was still under-exploited. With a little investment, Corroless could do even better, he believed.

Chemincorp was less convinced by his pleas for money. It saw itself primarily as a chemicals trader and did not want to get too deeply involved in manufacturing, even though all of Corroless's output was—and still is—sub-contracted.

A business contact put the frustrated Tandy and his col-leagues in touch with three City of London venture capital groups. "We had never even heard of a buy-out until then," Tandy recalls.

The terms they were offered were roughly similar, so the team took mainly non-financial team took mainly non-uncorrections into account when they reasons into account when they reasons offer of reasons into account when they accepted Fountain's offer of £150,000 for 47 per cent of the equity, plus a £450,000 loan, with the management getting 53 per cent of the shares for £50,000. "They knew what we wanted to achieve and we just liked the way they responded to us," says Tandy.

The hardest part, he says, was the five months spent negotiating the deal with Peter Lawrence, Chemincorp's managing director. Unusually for a management buy-out. Fountain did not act as an intermediary between manage-

Whittaker has also played an important part in arguing the team's case to Fountain earlier this year for a £100,000 increase (representing a 20 per increase (representing a 20 per cent rise) in its sales and mar-keting staff budget. "He had to represent Fountain as his masters, but equally he had to represent the company and his fellow directors, that was important to us," Tandy says. ment and vendor. That was because Lawrence had been receptive to the idea of a buy-

out right from the start.

Even so, "negotiating with your boss is one of the hardest things you can do." says Tandy. "You know that if you blow it you have nothing to fall back on."

Indeed, Tandy nearly did blow it when a large quoted industrial group came in with an offer for fim at the last minute. But the counter bid failed because it was con-ditional on the support of Corroless' management — an indication that not all the cards are stacked on the vendor's side in a management buy-out. By September last year, the suspense was over, so the trio took out second mortgages on their homes to put up their

portion of the purchase price.
All three took an immediate
25 per cent drop in after
interest income because of the dent company requires different skills from managing a sub-sidiary of a larger group. Until recently, he attempted to do the jobs both of a marketing and a managing director. "I did not realise that being managing director was a job in itself," Tandy says. His point about not taking increased mortgage payments.

The next challenge was how to engineer the move to Corroless' new office in Basingstoke without interrupting the flow of orders from the company's 30 distributors worldwide. Accounts and credit control had worldwide.

His point about not taking on too much responsibility was sadly driven home by the death of Robertson, whose (albeit expanded) job is now being until then been handled centrally by Chemincorp. "The whole thing used to be done for us, so we had to start from scratch." Stockley, Corroless' 30-year-old start from scratch." hadded by two newly recruited sales managers, with a full-time marketing director in the shape circumstances for directors to become so overwhelmed by de-

THE BIGGEST problem that a growing company can face is having a full-blooded entrepreneur as its owner.

That paradoxical but valuable thought is put forward by Manfred Kets de Vries, professor of management at Insead, the international management school at Fontainebleau, in the latest issue of Harvard Business Review. All the virtues popularly associated with entrepre-neurship, like obsessive per-severance, a lust for control, dogged devotion to detail and imaginative flair, have their dark side, he warns.

tail that they lose sight of the

need to sustain the momentum

need to sustain the momentum of sales. In this respect. Stockley and Tandy agree that Anthony Whittaker, a former director of Guinness Peat, the financial services company, who was appointed their non-executive chairman by Fountain, has been well worth his £6,700 annual fee.

"He is our conscience," Stockley says, "He makes us feel that we cannot have a board meeting without making sure

that we have achieved what we

said we would in the last board

All the same, having a non-

executive chairman represents an important cost for a business of Corroless' size. Additionally

there was the £35,000 paid in lawyers and accountancy

fees for arranging the buy-out. David Osborne, Fountain's

David Osborne, Fountain's investment director, points out:
"It is not cheap to deal with a venture capital organisation. You just have to weigh up the benefits." Tandy, however, is certain that Corroless would have been unable to get backing outside the venture capital industry. The fact that its only assets were its people

only assets were its people made it unsuitable for bank

Another important lesson he has learned from the experience

is that managing an indepen-dent company requires different

borrowing.

Any small business manager or venture capitalist who can recognise and tackle the black recognise and tackie the thack side of entrepreneurship will be all the more successful for it. says Kets de Vries, sounding a theme that will find echoes among the many small companies that find it hard to make the changes in management style so often essential to main-taining the pace of growth.

Interviews with 38 North American entrepreneurs convinced Rets de Vries that many of them were misfits who found it impossible to submit to authority and were in business partly because they needed to create and control their own environment. Those qualities are certainly essential to getting a business idea off the ground but all that creative energy can but all that creative energy can easily have its source in destructive personal needs that can ruin a company in its later stage of development, argues Kets de

He cites the example of the owner of a \$20m turnover conumer products business who Entrepreneur heed thyself

William Dawkins explains why an owner can be his own worst manager

Closely related to the need

for control is a tendency to be suspicious of others, he argues. Another manager in his sample was so paranoid that he kept television cameras monitoring the back and front entrances of both his plant and office buildings, with screens mounted on his desk. Suspicions like that are often founded in reality, yet, points out Kets de Vries: "The person who manages this way forgets the price the company pays in deteriorating morale, low employee satisfaction and declining productivity."

Inevitably, many entre-preneurs live under great stress. One consequence is that they tend to see things in extremes when dealing with other people—and this can be counter-pro-ductive, says Kets de Vries.

One manager, for instance, made a point of hiring young MBAs, whom he would then hold up as exemplars of management insisted on opening all mail skill to other staff. This built directed to the company and up resentment among less

personally approving every item of spending. His subordinates admired him, but resented being treated like children. The result? "Good performers did not stay," says kets de Vries.

When the same man went on to sell his venture to a larger to sett his verture to a larger company, he took similarly extreme views of his new owners. Preliminary infatuation vanished when he received a request from group head-quarters for more information about an advertising compaign about an advertising campaign.
The new owner changed from hero to villain overnight and the entrepreneur was eventually asked to leave the contract of the con asked to leave because he withheld information.

Can it ever be possible to control the dark side of entrepreneurship and persuade these volatile managers to accept a disciplined corporate existence? Up to a point, says Kets de

Managers do not have to be unbalanced to be entrepreneurial; it is just that entrepreneurs are fuelled by a "mix of creative and irrational," he argues. A deal that is structured to cope with that mix of qualities has a higher chance intumed in the property of self-examination. The Dark Side of Entrepreneuriation. The Dark Side of Entrepreneuriation. Harvard Business Review, November-December 1985, PO Box 25, 3950 AA Maarn, The Netherlands.

of success than would be the case if a venture capital investor or corporate buyer simply tried to impose management disciplines on a small business.

An illustration is provided by the president of a conglomerate who worked hard to build mutual trust with a small business it was considering acquiring. The president promised right from the outset to let the entrepreneur run his own show right from the outset to let the entrepreneur run his own show so long as he provided a certain amount of information. They also agreed that the entrepreneur could call on the new owner for assistance at any

time.

The conglomerate's president soon found that the entrepreneur was using him regularly as a sounding board, which in an atmosphere of trust, enabled him to inject a healthy dose of reality into some occasionally high flying schemes. "This loose tight arrangement turned out to be very successful. The new acquisition became one of the most profitable in the conglomerate's portfolio of companies," says Kets de Vries.

The moral is that instead of

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The moral is that instead of fighting entrepreneurs' idiosyn-cracies, venture capital investors cracies, venture capital investors or corporate buyers should regard developing them as a challenge, he says. However, Kets de Vries has no advice for those entrepreneurs who do not have the assistance of venture capitalists or large corporate shareholders. At the very least, his findings imply that they might benefit from a spot of self-examination.

# In brief...

KMG Thomson McLintock is the latest accountancy firm to announce a concentrated push into the small business

The firm has reorganised its services so that the full range of accountancy advice on subjects ranging from Value Added Tax to raising finance can now be obtained under one roof. Peter Hogarth, former audit partner, this week becomes national director of business services, an organisation with services, an organisation with 312 staff in 22 offices through-out the UK. Client managers will deal with all services that small business are likely to need, rather than passing on customers to individua specialists for each service as was the case under the former regime.

Details from Peter Hogarth,

KMG Thomson McLintock. 70 Finsbury Pavement, London EC2A ISX. Telephone 01-920

HOW TO price venture capital deals is among the subjects to be covered in a venture capital conference to be held on January 14 at London's International Press

Centre.
Tickets cost £200 plus VAT and the conference is jointly organised by the Institute of Chartered Accountants in England and Wales with the British Venture Capital Association. Other subjects include helping Small businesses survive what venture capitalists. helping small businesses survive, what venture capitalists want from accountants and bankers and the role of debt and equity finance.

Details from Beverley Barnes at the ICAEW. Chartered Accountants' Hall. PO Box 433, Moorgate Place, London EC2P 2BJ, Telephone 01-628 7060.

A BEGINNERS' guide to selfadministered pension schemes for small businesses is avail-able on a 36-minute cassette produced by Hornbuckle produced by Hornbuckle Mitchell & Co, the Leicester-based insurance brokers.

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NEW Enterprise Develop-ment, a Battersea-based busi-ness training group, is to run a 17-day course spread over the six months starting in January for profitable ven-tures seeking to expand.

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search and management. De search and management. Se tails from Peter Wilson, New Enterprise Development, 13 Park House, 140 Battersea Park Road, London SW11 4NB. Telephone 01-627 4991.

AN EASY-TO-USE AN EAST-10-OSE daily accounts book for small shop-keepers is available from Peter Levene, author of How to Start and Run Your Own Shop, published by Graham and Trotman.

The book costs £5.98 and The book costs \$5.98 and includes enough forms for a year's accounting, with weekly and quarterly reports. It is designed to contain all the Value Added Tax information that a Customs and Excise official would expect to see. Copies can be obtained from Peter Levene, 43 The Cliff, Roedean, Brighton BN2 5RF. Telephone 0273 605696.

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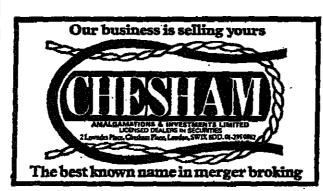
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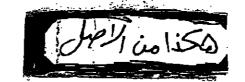
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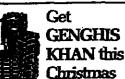
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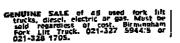
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The Joint-Receivers.

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THE UNION COLD STORAGE OF SOUTH AFRICA LIMITED Increporated with limited liability in the Republic of South Africal

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### EUROFIMA 1978/1988 81% U.S.\$40,000,000 (Société Européenne pour le

Ferroviaire) NOTICE IS HEREBY GIVEN to Bondholders of the above loan that the amount redoemable on January 15 1986. Ie US\$3.00.000 was bought on the market.

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# ALGERIAN POPULAR DEMOCRATIC REPUBLIC

NOTICE OF NATIONAL AND INTERNATIONAL PRE-SELECTION OF COMPANIES

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January 1986, to the Ministère de l'Hydraulique de l'Environnement et des Forêt (KOUBA). Agence Nationale des Barrages.

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NOTICE OF EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS An Entraordinary General Meching of shareholders of Selected Risk Invostments 5.4 will be held at its registered office at 10 boutgrand Roosewalt, Luxembourg, at 11.3 m on 19th December 1985, for the purpose of Considering and voting upon the following matters

Agenda

To resolve that the Company's name is changed to MERCURY
SELECTED TRUST.

To resolve that the Company's name is changed to MERCURY
a capital variable—SIGAV

A capital variable—SIGAV

To resolve that the Company's purbose and structure is changed to
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or shares each class to be insect for a separate portion of investment,
or shares each class to be insect for a separate or type of investment,
and to provide the the conversion of shares of one class into shares
of another class

To resolve this the Conversion of shares of one class into shares
of another class

or shares each class to be interested are and or face or interested designated by reference to its particular area or face or into shares and to provide for the Conversion of shares of one class into shares of another class.

2 for resolve that the Company's life is extended so that it expires on 18th Decomber 2015

5. To resolve that new controls and to make other changes to the forecome resolveness will come any of the face of the f

Voting arrangements

In order to wote at the meeting

The holders of bush at the meeting

The holders of bush at the registered once of the Company,
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the holders of the foreign or represented by a duly appointed proxy,
marketiders who cannot attend the meeting in decompany wided to
the Company stated above to arrive not meeting in decomposited of the Company stated above to arrive not meeting the 13th December.

1985: proxy forms will be sent to the gestered shareholders
a "opy of this Notice and can be obtained from the registered office.

a "opy of this Notice and Lan be obtained from the registered gence."

Information for shareholders

Shareholders are advised that

11 a copy of the Report is the Board of Directors to Shareholders

concerning the processity and continued that the Company step of the Report of the Processing and Paying Agency. Agreements referred to in the Report of the Report of

lollowing places
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HAMBURG.

Shareholders are also advised that the proposals involve changes to the Chroning structure of the Company, particulars of which are contained in the Report by the Board of Directors co-Shareholders new prospectus of the Company. The Board of Directors capacits had the new prospectus of the Company will be insured in Luxembour's on Tuesday. 31st December 1935. 2nd December, 1985

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AFRICAN AND EUROPEAN INVESTMENT COMPANY LIMITED

(Sincorporated in the Republic of South Africa) (Registration No. 01:02154 06)

IRegIstration No. 01:02154 05)

PREFERENCE DIVIDEND NO. 75
On Decomber 2 1985, dividend No. 75
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# GGC

ANGLO AMERICAN INVESTMENT TRUST LIMITED (Incorporated in the Republic of South Africa) Registration No. 05 08081 06

PREFERENCE DIVIDEND NO. 62 Dividend No. 62 of three per cent, equivalent to six cents per share, in respect of the six months ending Decomber 37 1985, has been declared before the six per cent cumulative preference shares registered in the pooks of the combarn at the close of business on December 20 1985.

The preference share transfer registered. books of the comban' at the close of business on December 20 1985.

The preference share transfer registers and registers of preference share transfer registers and registers of preference shareholders will be closed from December 21 1985 to January 3 1985, both days inclusive, and warrants dated February 15 1986 will be found to the company of the The effective rate of non-resident shareholders' tax is 14 9227 per cent

shareholders tax is 14 9227 per cent. The dividend is gavable subject to conditions which can be inspected at the head and London offices of the company's transfer secretaries. Concellistics Share Reductors Limited. First Flore, Edwa, 40 Commissioner Street, Johannesburg 2001 in D. Box Street, Johannesburg 2001 in D. Box Samuel Registers. Limited. 6 Greencoat Place, London SWI p. 191. Anglo American Corporation
OF SOUTH AFRICA LIMITED
Secretarian

December 3 1985

In accordance with the provisions of the Notes. NOTICE IS HEREBY GIVEN that for the inicrest period from November 29, 1985 to December 31, 1985 the Notes carry an interest rate of 84", per animal part animal part of the relevant listerest payment date. December 31, 1985 adjance coupon No. 13 will be licesy 13 are USENIO.000 NO.

ALGERIAN POPULAR DEMOCRATIC REPUBLIC
THE MINISTRY FOR WATER RESOURCES. THE ENVIRONMENT & FORESTRY
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The Ministry for Water Resources, the Environment and Forestry is launching a notice of pre-selection for companies interested in constructing the dam at BENI-HAROUN on the Oued KEBIR. 70km to the north of CONSTANTINE, in the Wilaya de MILA. The structures to be constructed primarily consist of the following:

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# London Galleries/William Packer

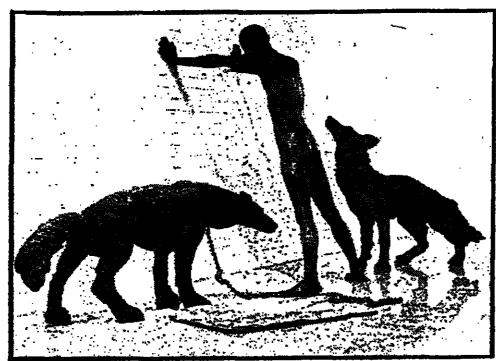
# Norwegian art comes in from the cold

international and critically selected festival of the contemporary visual arts, which means we must rely rather upon comjudgement to keep us alive to the best of what is being done abroad. It is not that we need a Dokumenta or a Bienale like that of Paris or Venice to make the point, but certainly any challenge to domestic preoccupations, insular inertia and re-ceived critical orthodoxy is 10 be welcomed.

It is in this light that the small survey show in the Gul-benkian Hall of the Royal Colbenkian Hall of the Royal Col-lege of Art, Art in Norway To-day (until December 8), with its satellite exhibitions there and, at the Bloomsbury Galleries of the Institute of Education, the more copious related exhibition of contemporary Norwegian drawings, Between the Generotions (until December 17), are especially useful and oportune.

We should not, however, go looking for avant garde novelty or revelation, nor be in the least disappointed or surprised by what we find. A power to disconcert or shock was never a strategies of excellence in a though often its accompaniment. Here from a baker's dozen painters and sculptors in mid-career, the Lambretta group of six young sculptors and three senior painters what we have is a serious, straightforward and various engage-ment with the international currency of ideas and practice.

The middle and younger generations of Germans and generations of Germans and Italians may presently command the wider reputations, to say nothing of thetir spectacular profits, and it would be easy enough to put these Norwegians down as mere followers. But the game of spotting influence and effect is endless: the quality of what is actually



Three sculptures by Ellen Bang

with what is to be found every-were: sculpture that is as direct in its figurative reference as it is in its carving, or else natural or scavening in natural or scavening in material, and again natural or environmental in idea and pre-sentation; painting that looks everywhere to expressionism— to the figure and Beckmann especially with the young, to abstract expressionism with the

Of the sculptors Ellen Bang, just 30, is both the most obvious and the most impressive, for her splendid wolves and the mude man leaning against the wall, all life-size, command the entrance lobby the show. They are carried with

putation which clearly is no the RCA, to look again at the more than her due.
Of the painters, Gunnhilde
Bakke and Agnete Erichsen are notable for their more fully in themselves are so wonder-realised and clearly symbolic fully international and trans-figuration; Helge Korvald, with cultural, are bedevilled by infiguration; Helge Korvald, with a kind of generalised land-scape imagery, for a more gestural and romantic expressionism; and of the older generation. Oistein Thurman for a most vigorous and open abstraction. All are romantic, all palpably northern in sensibility with their rich colour, as opposed to the collector's heavy surfaces and sombre tonality. To say they are thus ality. To say they are thus essentially Nordic is to indulge an easy prejudice too much in the face of evidence which

instinct is always more to dis-tinguish, separate and define than it is to bring together. Far from inviting speculation, the display of items must remove

finer Norwegian craft.
Our attitudes to our great
collections of all kinds, which

National Gallery have proved. Now the Museum of Mankind has taken a similar initiative in inviting Eduardo Paolozzi to make free with the ethno-graphical collections of the British Museum. The collection of several hundred items he has thus brought together, augmented by a number of his own works including some made especially for the purpose, is now on show in Burlington Gardens (well into 1986) under the evocative title, Lost Magic

In his own work Paolozzi is ve y much the magpie voracious in his appedite for anything that catches his quick eye, the mere-triclous along with the worthy, the ancient with the new, the technological with the unique, trash and treasure all to be re-arranged, reconstituted and transformed. The magical works, as all surrealists know, by sur-prise and chance association sustained and celebrated by insustained and celebrated by inteligent opportunism, sheer wit
and a kind of generous pantheism that while not exactly
worshipping would not seek to
offend any strance god or restless spirit. If the fetish is not
good, then make your own, stick
a bone in the skull's mouth or a
papier mache spider on the
Mexican festival mask, or perhaps a modern rubber beetle
from the joke shop stuck on by from the joke shop stuck on by its rubber sucker. Make your necklace from electric wire and light bulbs, and your transistor wireless from a wooden box. Here is a Greek shadow puppet and a Mexican model skeleton made only yesterday, and an Aztec mask, a shrunken head, a modern peasant shrine and the bronze screen, with its votive and placatory figures, to the entrance to a native slave trad-ing-post in West Africa 300 years ago.
"... The same raw materials

in other cultures (than ours) like Egypt and India are reinfluence and effect is endless: command the entrance lobby to the quality of what is actually done rather more to the point. Here it is enough to say that the work is in the general case the subtlety and surenormal and healthy, in the particular often extremely interesting and impressive. The most interesting of its qualities is were most engaging. She is Benny Motzfeldt's glass, also at the degree to which it accords the social plicity and surent the face of evidence which suggests no narrow isolation, all ambiguity, the better to simplify the message and so instances: any amount of various visitor.

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But creative minds may put display of items must remove all ambiguity.

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# Obituary/Philip Larkin

### Look at the pictures and the cutlery. The music in the piano stool. That vase. from " Home is so Sad

Philip Larkin, who died yes-terday at the age of 63, was by common consent the leading English poet of his generation, the generation, that is, which came to prominence after the the period of MacSpaunday (to use Roy Campbell's label for the Auden group).

he Auden group.. Larkin was a traditionalist in every sense of the word. He believed passionately in the tradition of English poetry. He had a great deal of time for had a great deal of time for Hardy and Bridges and none at all for Corbière and Laforgue. He was, if you like, a poetic Little Englander, with an exquisite ear for rhyme and cadence, whose insularity did not prevent him from looking deeply into life from the view-point of someone who has chosen to live alone.

This solitary unattached stance, that of the unmarried observer rather than the full-blooded doer, was a feature of his early collection The North Ship (1945) and was strikingly present in The Whitsun Wed-dings (1964), the book through which Larkin's work first reached a wide, poetry-conscious

public. The title poem, which depicts the poet on a railway journey watching newly married couples boarding the train for the honeymoon, proved to be one of his most popular. Even finer, in the same thoughtlover of jazz and wrote jazz articles for the Daily Telegraph from 1961 to 1971 (they were all reprinted in All What Jazz) and he edited The Orford Book of ful, self-analytical style, was "Dockery and Son" where the poet re-visits his old Oxford

college and hears that the son

of a forgotten contemporary is now an undergraduate there.
Oxford was one of the sources of Larkin's inspiration. Before of Larkin's inspiration. Before establishing himself as a poet, he wrote a novel Jill (1945) which evokes the cold, spartan, but none the less heady days at the university during the early period of World War II. Larkin was a contemporary then of Kingsley Amis and has given an amusing account of Amis as an undergraduate

He was awarded the Queen's Gold Medal for Poetry in 1965 and was widely thought to be the natural successor to Betjeman as Poet Laureate. In the event, the appointment went to a younger poet. Ted Hughes, and contrary to much specula-tion at the time Larkin was not. in fact, offered the job. He became Companion of Honour mimic. They remained close friends for the rest of Larkin's

in this year's Birthday Honours. **Anthony Curtis** 

After leaving the university

Larkin found regular employment as a librarian, work to

which he brought all his con-

scientious perfectionism, writ-

ing poetry in his leisure time.

He was for many years librarian

at the University of Hull, a post

he held at the time of his death.

Twentleth Century English Verse in 1974 showing a healthy

appetite for the work of his con-

Larkin was a knowledgeable

Why should I let the toad WORK

# Squat on my life?

### Platel, Almeida/Covent Garden Clement Crisp

Ballet on Friday night. In a tick-tock concern with the performance of lambent auth-score's metronomic beat. She ority she demonstrated that she is without peer in the West in this role. Here is an interpresent leading into the spindle tation which fulfills the rigorous scepe was intoxicated with converted concern of classic days. outward canons of classic dancing harmony of form, clarity of statement, beautifully rounded technique—and, no less

important, those inward quali-ties of the true classic artist.

To physical grace is allied a spiritual decorum that respects every rule of emotional as well as physical proportion: nothing is extravagant, or stresses the performer to the detriment of the role. Rather does the external radiance of her reading reveal that inner distinction, that aristocracy of tempera-ment, which marks the ideal

The princess of the Rose Adagio had a youthful gravity, the shape of Petipa's choreography drawn with a pure line that told of dignity in the beautiful flowering of the dance as well as of inevitability in its development, so that its logic—aesthetic as well as structural—

Elisabeth Platel made the musical wit. (Miss Platel's first leading role. She brought second of her scheduled appear-musicality passes far beyond to the peasant girl the honesty ances as Aurora with the Royal the Royal Ballet's customary of a novice carefully prepared happiness. Miss Platel giving herself to the drama in a rush of delight, borne along on the music's impetus until Cara-bosse's curse is fulfilled.

How apt the contrast with the vision of Aurora. Her appearance, poised first in an eternal arabesque, had a luminosity very different from the diamond clarity of the first act. And then, for the wedding scene, the effulgence of a ballerina in the glorious spring-time of her career (Miss Platel is only in her mid-twenties), yet marked by a noble simplicity of style that combines lightness and animation, subtle accent and phrasing, with the serenity that befits this grandest of choreography. It was, in sum, the performance of an artist of greatness, and one such as it has rarely been my good fortune to see. We are priviledged to have Miss Platel

trustingly direct in her feelings trustingly direct in her feelings for Albrecht, tempestuous in the mad-scene. But it was as the wraith that her best qualities, rather than the well-learned lesson, were revealed — in the spring and fluency of the dance, in the lightness and airy impulse she gave to the charecurably so that empthe choreography so that emo-tion seemed, truly, to dictate the action. (Her costume, though, is bothering: the high neck-line given to the wills separates head from shoulders and subtly breaks the contin-uity of line.)

Miss Almeida had the inestimable benefit of Anthony Dowell's generous Albrecht to nurse her through this baptism, and of Stephen Jefferies' darkly sensitive Hilarion, communicative of the drama at every moment. At a second viewing the Courland hunting party looked even madder in dress, like the National Opera of Brent in Anna Bolena. Away with ear-rings, posturing swishing, and that all-too-predictable bon-homie and haughtiness that pass rivalled in my experience since
Irina Kolpakova's astounding appearance in the Kirov Beauty in 1961 by reason of its perfect portant step in her career when clarity, its charm, and its she appeared as Giselle her continuous for characterisation with these performers. Their bag, incidentally, appears to include some the Royal Ballet, took an important step in her career when clarity, its charm, and its she appeared as Giselle her continuous for characterisation with these performers. Their bag, incidentally, appears to include some decimated the picnic in the continuous for characterisation with these performers. Their bag, incidentally, appears to include some decimated the picnic in the continuous for characterisation with these performers. Their bag, incidentally, appears to include some decimated the picnic in the characterisation with these performers. Their bag, incidentally, appears to include some decimated the picnic in the characterisation with these performers. Their bag, incidentally, appears to include some decimated the picnic in the characterisation with the characterisation with

# Jorge Bolet/Festival Hall

### David Murray

Sonday afternoon's recital by with just enough touches of re-tuning of top notes at the

It had been a long first half —an hour and a quarter just for two medium-gauge Liszt pieces and Schumann's Carnacal—but consistently inspired. Probably nobody has ever searched into Liszi's "Benediction de Dieu dans la solitude " with such un-hurried generosity, and other performers would be unwise to try; Bolet unfolded it with infinite tenderness, keeping it aloft with a magically delicate rouch. He did much the same for the diffuse B minor Ballade, finding calm eloquence in all its quiet passages and transform-ing its fustian climaxes into

grave pronouncements. Carnoral was a marvel.
Bolet's way with it is nostalgic, haunted, as if the whole glitter-ing parade were being re-membered from a great time away. Even the waltzes and the

merely of Chopin's B minor Sonata. Bolet gave a glorious account of it last year in Smith Square, and this performance lost nothing in the larger hall. If anything the opening Allegro —still richly maestos more firmly drawn, though all the inner voices glowed. Amid the silver filigree of the Scherzo Bolet refused again to linger over the Trio, for he makes the Largo the heart of the whole sonata-mature serenity, memorably rendered. His Finale was dark but not desperate, shaped to a vital purpose, grandly inexorable.

Quartet-in-residence at Cambridge

In a new scheme, sponsored by Citibank, the Brodsky String

# Response/Festival Hall

# **Paul Driver**

Response was what Michael Sunday afternoon's recital by the greatest living exponent of the Bechstein piano was. I think, his first in the Festival Hall. A large audience easily justified it, and Bolet paid them the compliment of a programme of high seriousness. His Bechstein sounded wonderful, but more wonderful after a little re-funing of top notes at the concerts (plus workshops and a poetry reading by Craig Raine) running continuously over the weekend, each event being absolutely free.

Audiences could come and go — most of them came — and even carry drinks in to the concerts; indeed the mini-festival was launched on Friday evening with free glasses of wine. Cus-hions, borrowed from Youth and Music's Cushion Concerts, were provided as well as chairs; the atmosphere was wholly in-formal, and the players often chatted to the audience before pieces. I have rarely enjoyed a musical experience so much, and the scorching, glaring houselights (which apperently could not be selectively switched off) and background noises from the Festival Hall intermission crowd or Hungerford Bridge railway detracted little from the plea-

tensely into chamber music, as six of the strings did unforgettably on Friday with Schoenberg's Verklärle Nacht. The first violinist, Nona Liddell, prefaced the performance with a few telling words: why this piece is so often played, she explained, is because for string players "it has everything." What followed was a lesson in The most extended, interest-

mutual responsiveness and flexible ease. For once, the audience was close enough to encourage the players to address each other rather than project outwards; in the Music Box, in fact, you feel drawn inside the closed circle of the musicians. The piece sounded beautiful as never before with an incandescent luxury.

an incandescent luxury.

During Saturday evening's two-part programme entitled "Spotlighting Takemitsu" there were more such displays of winning musicality — Linda Hirst in Debussy's Chanson de Bilitts; Sebastian Bell, Roger Chars and Helen Tuystall in Bilitis; Sebastian Bell, Roger Chase and Helen Tunstall in the ever-beguiling Debussy Sonata for flute, viola and harp. Toru Takemitsu, the Japanese composer, did not get much featured as it happened. A solo guitar piece, Folios, was dropped when John Williams developed a thumb problem and

(Bell) and guitar (recovered Williams), Toward the Sea, whose three concise movements not only seek to "capture spiri-tual domains" of the ocean (as the programme note had "it) but are an intended protest on behalf of "Save the Whales."

ing and chunky program the final one, on Sunday night, devised and conducted by Response's featured composer.
Oliver Knussen, who explained
its title, "Off-Centre," as
referring to the incorporation of folk or popular elements into ostensibly "straight" composiostensibly tions. Thus Conlon Nancarrow's startling Piece for Small Orchestra is a crossing of Stravinsky and the blues; Judith Weir's Serbian Cabaret (an hilarious sequence requiring three of the four musicians to speak lines as they play) exploits melodic and verbal material from central Europe; Jonathan Lloyd's The Shore-lines of Certainty eventually imposes on its exquisite shimmerings the clear outline

# Orchestra of St John's/Warwick University

# **Andrew Clements**

helpful, as would rounder characterisation of the melodies and generally faster tempi. But Lubbock's natural, unforced approach had been effective in The latest portion of this sea-on's Arts Council Contem-The latest portion of this season's Arts Council Contemporary Music Network to go on the road is the Orchestra of St John, Smith Square, conducted by John Lubbock. They played in Huddersfield and London at the beginning of last week and on Thursday reached the Arts Contre of the University of Warwick, "One hundred years of their programme—from Brahms to Maxwell Davies, taking in Schoenberg and Shnitke along the way.

helpful, as would rounder mental texture, without unnecessary spotlighting or concertos the melodies and generally faster templ. But Lubbock's natural, unforced approach had been effective in Schoenberg's second chamber areasy piece to bring off, with the benefit of the concertos of Berg and Weill. Of all the Shnitke works I know it uses its mixture of idioms the most movingly; the loping qualifies yet as a "romantic" is debatable. To my ears his 1982 Sinfonia Concertante is closer significantly approach had been effective in Schoenberg's second chamber areasy piece to bring off, with the benefit of the concertos of Berg and Weill. Of all the Shnitke works I know it uses its mixture of idioms the most movingly; the loping qualifies yet as a "romantic" is debatable. To my ears his 1982 Sinfonia Concertante is closer of the first two movements, spirit to neo-classicism, with

shimmerings the clear outline of the tune, "You are my sunshine," and so on. The programme also brought Harold Lester in Ligeti's three marbullans harnsichord solos, and Serenade, the final work was the membered from a great time away. Even the waltzes and the Promenade were hexitant and fragile; Harlequin was a spidery cartoon, not a prancing puppet. Most of Bolet's tempi were deliberate, the better to explore Schumann's pianistic detail,

qualifics yet as a "romantic" is debatable. To my ears his 1982 Sinfonia Concertante is closer in spirit to neo-classicism, with its lack of textural clutter, neat passoral tune of the finale provides a genuine catharsis to the tightly buttoned chromaticism of the first two movements, giving an emotional curve that is both smooth and sure. Mark

its lack of textural clutter, neat its both smooth and sure. Mark thematic working and lean harmonic palette. The parts given to the six soloists (wind quintet and tympani) are demanding, but the piece will always work best when as here, they are treated as part of the instru-

Saleroom/Antony Thorncroft

mental texture, without unmental texture, without un-necessary spotlighting or con-certo-like bravura.

Shnitke's third violin con-certo though is undeniably a neo-romantic showpiece, with a pedigree that stretches back to

# This advertisement appears as a matter of record only, arer bonds have been sold outside the United States of America December 2, 1985 OWENS CORNING **FIBERGLAS Owens-Corning Fiberglas Corporation** Toledo, Ohio United States of America **DM 130,000,000** 71/4 % Bearer Bonds of 1985/2000 - Stock Index No. 476971 -

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### Arts Guide Nov 29-Dec 5

# Opera and Ballet

**PARIS** 

Palais des Congres: Roland Petit and Marseilles' National Ballet present Puss in Boots animated by Roland Petit's unfailing imagination and en-thusiasm (42652075) from 2pm 5om Ends Jan 5.

WEST GERMANY Frankfurt, Opera: Fidelio has Lisbeth Baslev as Leonora. Der Wildschütz is a Renate Ackermann production. Also Smetana's Die Verkaufte Braut (The Bartered Bride), (25621),

**NEW YORK** Metropolitan Opera (Opera House) The week features the first seasona performance of Satie's ballet Parade, Poulenc's Les Mammelles de Tiresias and Ravel's L'Enfant et le Sortileges, in an evening called Parade, along with the premiere of Jean-Pierre Ponnelle's Le Nozze di Figaro conducted by James Levine with Kathleen Battle as Susanna and Ruggiero Raimondi as Figaro. The week also includes Cavalleria Partiera with Hildegard Rabrens. sticans with Hildegard Behrens and Pagliacci with Placido Domin-go, as well as Porgy & Bess, con-ducted by James Levine, with Ro-berts Alexander. Lincoln Center

CHICAGO

(3826000).

Lytic Opera (Civic Opera House): The 31st season includes Otello starring Margaret Price, William Johns and Sherrill Milnes, conducted by Bruno Bartoletti and staged by Antonello Madam Diaz, along with Madame Butterfly with Anna Tomowa-Sin-tow in the title role conducted by Miguel Gomez-Martinez, Also Sam-

the same of the sa

son, Anna Bolena, La Travista, I Ca-puleti e I Montecchi, Die Meister-singer and La Rondine. (3322244).

# **NETHERLANDS**

The Nederlands Dans Theater on tour with Uccelli and Converge by Nacho Duato, and Kylian's Wiegelied. Mon in Roermond, Oranjerie (35061). The, Wed in Amsterdam, Stadsschungburg (24211) :houmburg (242311).

SPAIN

alencia, Bulgarian Opera Chamber Orchestra with Donizziti's Il Cam-panello and Mozart's The Impresario. Teatro Principal, Barcas 15.

Bouse: Teatro dell'Opera: Un Ballo in Maschera in a new production by Sylvano Bussotti, who also designed the scenery and costumes. (461755).

# LONDON

English National Opera, Coliseum: Jonathan Miller returns to London opera production with a new Don Glovanni, William Shimell, Jose phine Barstow, Felicity Lott, and Richard Van Allan head the strong line-up; Mark Elder conducts. Further performances of the striking, interesting, largely successful new Gounod Faust, and the rather less stylish big-house version of Orpheus in the Underworld. (8363161).

# VIENNA

Volksoper: Das Land des Lechelns; Millöcker's Der Bettelstudent; Hum-perdinck's Hansel and Gretet; Zem-linsky's Kleider Machen Leute; Dos-tal's Die Ungarische Hochzeit; Der STELLER GER AUGE EN

# Tribal art goes unsold

er cent unsold.

Even the successes were dis-

appointing. A Lega ivory head from Zaire, of which only a dozen are known to have survived, sold to a Swiss collector for £28,600, but this was well below its estimate. Another which from the same region a object from the same region, a Mangebtu container, carved as a male figure, was on target at fi2.100, bought by the American collector Robert Young. A Luba wood neckrest, part of the famous James Hooper collection, was unsold at £12.000.

The main row in this sector is between the British Museum and Sotheby's over the George Brown collection of tribal art, which Newcastle University is planning to sell to a Japanese museum. The BM is contesting some of Sotheby's valuations of the objects—if an item is valued at £16,000, or less, no export licence is required-and feels that an attempt should be made to keep the collection intact in the UK. By chance three similar lots of Melanesian art cover the whole of 1988-87.

A bust of Alexander Pope by Michael Rysbrack, which for day—three Malanggan wood masks—and all failed to find a buyer. Sotheby's feels this confirms their valuations on the Brown works of art.

Brown works of art.

The tribal art market is riven ing the Portland font in the with controversy these days. UK. This rare gold font, comwhich accounts for the poor missioned in 1797 by the Duke performance of Sotheby's sale yesterday. The morning session his family, was sold by a totalled £190,190, but with 40 descendant, Lady Anne Bender Wheeld at Christian's in Alby for of Portland for the baptism of his family, was sold by a descendant. Lady Anne Bentinck, at Christie's in July for 1950,400. Not surprisingly the reviewing committee on the export of works of art has put a seven-month stop on an export licence for such a unique item.

Unfortunately the British Museum must raise £1.275m to keep the font in the UK. The difference is accounted for by "dealers' expenses." The font was bought by Armitage, probably for a Middle Eastern client. This increase in the price between the auction room rate and what a British institu-tion has to pay is becoming something of a scandal.

The British Museum has seven months to raise the money but if it is making little progress after three months the font could go. It is not planning a public appeal: instead it is pinning its hopes on the National Heritage Memorial Fund which has just received an inadequate £3m grant to

treaty sale for £400,000. The Athenaeum was forced to sell The British Museum is to the bust to pay the cost of the take up the challenge of keep-

# **FINANCIAL TIMES**

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY Telegrams: Finantime, London PS4. Telex. 6954871 Telephone: 01-248 6000

Tuesday December 3 1985

# A church not very militant

THE LADY'S spokesmen do rate support grant to the areas protest too much. For the of greatest need, One minister second ume in recent months, ministers have tried to confront criticism by rubbishing it before it is actually published. The Institute for Employment simply enjoyed more publicity than its rather over-simplified attack on the Government's economic policy would otherwise have enjoyed. The attack on the Church of England report on the problems of inner cities, which will be officially published later today, is likely to be more damaging — to ministers. It is so intemperate that it simply gives the impression that they are rattled.

The first fact that may sur-prise those who will have heard the row, but are unlikely to read the report itself, is that its prime target is the Church it-self. The overwhelmingly middle-class clergy of the Church of England are ill-equipped by upbringing or training to tackle the problems of deprived minorities in Toxteth or Tor-tenham, and the report bitterly ocknowledges the fact. It would he impertinent for us to comment on the many remedial

steps which are suggested.

The only one which could raise any political hackles is that the clergy should speak out more on political and social questions where they feel that Christian values are involved. Christian values are involved. What priests with direct experience of social deprivation have to say may be uncomfortable, but is hardley a threat to the separation of Church and State. or the Bishop of Liverpool would already be regarded as a threat to the constitution. Most people, even non-believers, surely expect religious leaders to be outspoken on moral

However, it is the report's comments on fiscal matters which have stung ministers most keenly. The Church has most keetily. The Church has not suose now lined up with the Duke of Edinburgh's committee in recommending an end to mort-gage tax relief. It argues for These are not revolutionary. more public sector housing in problem areas. a broader tants, but sober suggestions, attack on homelessness, an mainly within the Government's conhanced community pro-gramme, and a diversion of deserve a thoughtful hearing.

nately explained that they are already spending much money on these lines, and that throw-ing money at the problem will pointed out.

ing corporation, and the infor-mation he is now collecting on

mation he is now conecting on broadcasting developments in Europe will probably be in-cluded in NHK's evidence to the Japanese Government in-quiry expected next year. There is much about NHK

that is distinctively Japanese. The Y1040 (about £3.25) a

month licence fee is "volun-tary" yet about 90 per cent of the population pay — with the help of 1,000 staff collectors who turn up on the doorstep of

intransigant cases to try to con-

Yet the increasingly difficult environment in which the once sacrosanct NHK now has to operate—1.800 jobs are due to

go over five years and audience share is squeezed by five com-mercial rivals in the big cities —has parallels in many deve-

In most parts of the world

public service broadcasters are

• The reluctance of govern-

ments in an age of financial stringency to sanction large

licence fee or grant increases

The apparently releptless march of "free" television channels financed by advertising. In Europe only Denmark,

vince them.

laned countries.

under pressure from:

do no good. On housing finance. Church and the Duke's advisers seem to be better economists than are to be found in any political party. Indeed, the issue of tax relief is perhaps the only economic question on which there are not two schools of thought; everyone, from monetarist to Marxist (and including the Chancellor of the Exchequer). recognises mort-gage relief as a gross market distortion. The Church report errs in treating it as a subsidy to the buyer; it is a subsidy to

### Criticism

However, it remains regres sive, benefiting the rich at the expense of the poor, and it has a special relevance to the inner cities, since it makes it more attractive to sell than to rent quite apart from controls on rents and tenancies. Politicians who regard this as nevertheless a political sacred cow, as both Mrs Thatcher and Mr Kinnock do. must at least admit the consequence: only the public sector is likely to provide for the poor and the transient.

Sweden and Norway have maintained the barriers against The report's recommendation that money raised by selling council houses should be reinvested in new housing (not. as national television advertising and in all three they appear to be crumbling.

The explosion of choice alone rebuttal has wrongly suggested, that the sales should stop) was once Conservative policy. So, for that matter, was a bigger role for child allowready starting to come from cable and satellite television, much of it paid for advertising, which threatens further to ance in redistribution. Even the pattern of support grant urged in the report is not unlike that first introduced by Mr Michael Heseltine. The subsequent inundermine the justification for licence fee systems and to

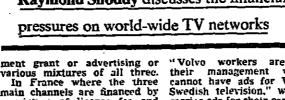
increase political pressure.

Apart from the planned inquiry in Japan, a Canadian Government-appointed task force looking at the future of crease in the urban programme, much displayed in criticism of the report, has not subse-quently made good the loss of broadcasting is due to report on January 15 and a wide-ranging commission is also under way in New Zealand. In many Euroresources through the diversion of rate support to the shires. pean countries, governments are considering introducing "pri-vate" television where once national public service broad-casting organisations reigned proposals from a church of Mih.

> In Britain, the terms of reference of the Peacock Committee are more limited: to look at the advantages and disadvans of all possible alternatives to the licence fee as a method of all possible alternatives to the licence fee as a method of funding the BBC and the effect of any change on other media. Committee members have been as possible to see how broad-casting is financed and how this effects programme quality. still
> Broadcasting is usually ing.
> financed by licence fee, govern-

### NE of the world's leading Paying for public service broad-casters is facing difficult days. The licence fee is less than the organisation needs. Staff numbers will have to be television: cut, competition with commer-cial television is intense and a government inquiry is unlikely to make life easter. Some people say we should take advertisements. But if we advertisers started taking ads the commercial television companies would be in danger. In fact they're putting severe pressure on the Government not to let us take ads," the broadcasting executive dominate The speaker is not a beleagured member of the BBC staff facing up to the rigours of he Peacock Committee now looking at feasibility of alernative methods of financing the BBC. His name is Mr Konosuke the picture Oharu, a senior planner from NHK (Nippon Hoso Kyokai), the Japanese public broadcast-

Professor Alan Peacock's committee on funding the BBC has almost finished taking evidence. In the first of a series of articles on the future of broadcasting, Raymond Snoddy discusses the financial



various mixtures of all three.
In France where the three main channels are financed by a mixture of licence fee and advertising (the latter accounts for about a quarter of revenues), the more competitive future became clearer last month. President Mitterrand not only chose the investors who will run France's first commercial television network but made it clear that Mr Robert Maxwell is to have an Maxwell advertising-supported channel on the French direct broadcast-

ing satellite which can cover much of Western Europe.
In Germany where the national broadcasters ZDF and ARD raceive about £1.16bn from the DM 18.25 a month licence. fee and about £464m from advertising blocks shown in the early evening, the traditional broadcasters face growing com-petition. Apart from cable and satellite, there has been pres-sure for the introduction of local private television.

Recently Prof Peacock had

discussions in Munich with Mr Albert Scharf, president of the European Broadcasting Union and deputy director general of the Bavarian Broadcasting Corporation which gets 18 per cent of its income from adver-

Mr Scharf told Prof Peacock the German experience had no direct relevance for Britain. Advertising was introduced on German broadcasting 30 years ago to give industry an oppor-tunity to advertise and the system worked because there was no direct competition for advertising revenue. If there were any plans to introduce would oppose it.

The arrival of Sky Channel,

Mr Rupert Murdoch's general entertainment channel delivered travelling to as many countries by satellite to European cable to the problem of financing as possible to see how broad-casting is financed and how this effect in those countries which have stood apart in terms of still block television advertis-

"Volvo workers are asking their management why we cannot have ads for Volvo on Swedish television," when Sky into Swedish cable networks. In Britain, the doupoly system of broadcasting finance gives the BBC a monopoly of the licence fee to fund its two television channels and four national radio networks. Independent television has a monopoly of television adver-

be worth

balance would be destroyed," the BBC director general Mr Milne's fears about the dangers of introducing just a little advertising on the BBC seem to be supported by the recent history of broadcasting

in New Zealand. The mixed system of financing there involved a licence fee and advertising three days of the week and six minutes of

advertising an hour. The licence fee of NZ\$45 (£17.30) for colour ising. Tee of N2543 (£1730) for colour For ITV this monopoly will and \$27,50 for black and white e worth about £970m in was last set in 1975 and succes-

# 'We had let the genie of commercialism out of the bottle and we could not squeeze it back again'

advertising revenue this year, sive governments have pre-The BBC is likely to have about ferred the Broadcasting Cor-£895m for the financial year to poration of New Zealand to March 1986. By the third year increase the amount of adver-£895m for the financial year to March 1986. By the third year of the current £58 colour licence fee period, the Corporation will be spending at the rate

of film a year.

The BBC estimates that by the end of the decade, assuming there is another three-year licence fee settlement, the Corporation would need a licence fee of just uncer £70. Mr Alasdair Milne, director-general of the BBC, concedes that over most of Europe there is a trend towards more

commercial channels.
The trend elsewhere, howwere any plans to introduce ever. merely serves to reinforce extra advertising in Germany to weaken the licence fee as a that "it is a good thing" to method of financial support," he would oppose it.

To begin we improve that "it is a good thing" to improve eff that "it is a good thing to improve eff BCNZ a my organisation. rupted by advertisements.

"We have stumbled upon an commercialism out of the hottle

restraints.

The problem of financing in those countries which have stood apart in terms of inches television advertises their funding and that is why observer noted that Change it and the delicate again," recalls Mr Cross, again, ag

tising.
"We are now into the 10th

"We are now into the 10th year without a licence fee increase and 88 per cent of our income comes from commercials," Mr Ian Gross, chief executive, says. Now ads appear six days a week and make up 10 minutes of every hour.

to popularise programmes because we have been short of money. The New Zealand experience indicates that noncommercial television needs to be protected," says Mr Cross To begin with, commercialism improved efficiency and made BCNZ a more hard headed

extraordinarily elegant solution and we could not squeeze it back to the problem of financing again," recalls Mr Cross.

The Canadian Broadcasting Corporation (CBC) not only faces competition from Canadian commercial opposition CTV and Global, but also from the American networks across

aim is to suggest ways of giving Canadians greater choice " with-Canadian

of the CBC, believes the organisation is achieving that goal by scrambled, inertia would mean making quality Canadian prothat people would not convert grammes within tight financial their sets." Mr Young added.

22 per cent of their time watching CBC 46 per cent watching other Canadian channels and other canadian channels and 32 per cent watching American channels. CBC raises about 20 per cent of its CSIon income from advertising,

The last government grant meant that 1,150 jobs at CBC had to be abolished and 350 people were actually fired. Despite the financial con-straints, CBC has been increas-

ing the Canadian content of its schedules to about 75 per cent. "We don't mind having some advertising but we would prefer fewer interruptions in programmes." added Mr Juneau who points out that advertising minutes have risen from about eight an hour to 10-11 minutes. Mr John Howkins, executive director of the International Institute of Communications, the independent research body, has studied international broadcasting finance. He is convinced that the source of funding is not necessarily the most important single factor governing

programme quality.
There is no evidence that I have come across which shows a necessary link between sources of funding and quality of programming," Mr Howkins

What he believes is vital for programme quality is the pro-fessional culture of individual broadcasters combined with strong regulation.

It is not an argument which impresses Mr Stuart Young, chairman of the BBC and senior partner in accountants Hacker Young. He believes quality would disappear if ITV and BBC were fighting for the same

Managh

revenue.
"Quality will first be shifted to different time slots within the schedules and then it will disappear because the advertising imperative, the chequebook, will be chasing the popular programme into the key slots," he

says.

It would be possible, he con-

It would be possible, be concedes, to devise a system which would contribute some advertising revenue to the BBC.

"But what is the purpose of contributing £50m or £100m. Why don't we keep the system we know works where we can guarantee we can keep the quality up and yet make it more acceptable to the public to pay," Mr Young emphasises.

He has submitted detailed proposals in oral evidence to proposals in oral evidence to the Research Committee to broaden the base of the licence fee and make it easier to pay.

The BBC chairman believes that BBC radio could be made self financing by a £10 car radio licence collected with car tax and a £5 household radio licence collected with the rates. The licence fee base could also be broadened by having a tele-vision set licence fee with a reduced fee for the first set but additional payments for extra TV sets.

Canadians greater choice "within an environment which is
attractive to private entrepreneurial investment while still
achieving our cultural goals for
the ITV signal would have to be scrambled too

system."
"You can't de-invent broadMr Pierre Juneau, president casting for the BBC. If it was

# **Gonzalez climbs** off the fence

MR FELIPE GONZALEZ has Straits of Gibraltar and points worked himself into an awk- further east. Spain is an ward and potentially dangerous position on the issue of Spain's membership of the North Atlantic Treaty Organisation. The Spanish Prime Minister

go against remaining in the alliance. As Prime Minister. Mr Gonzalez pulled Spain out of Nato military integration. He has since shifted from his initial opposition to member-ship in the alliance.

ship in the alliance.

But given the strength of anti-Nato, or rather of anti-American feeling on the left and the isolationist traditions on the right. Mr Gonzalez appeared to try to wriggle out of holding a referendum. Only lest week was he constrained to

European comity which began with the end of Francoism and which Mr Gonzalez's Government has furthered.

the forces access to joint pro-curement programmes and Spanish industry access to joint development with the allies. Spanish membership in the Anglo-German-Italian project for a new fighter aircraft is a case in point.

Joint membership in Nato with Britain also opens up the best prospects of giving Spain important staging post between the US and central Europe where Nato and Warsaw Pact

The Spanish Prime Minister has pursued a courageous economic policy; he has successfully completed negotiations for Spanish entry into the European Community. But on Nato he has shown a lack of clear leadership.

During the electoral campaign of 1982 the Socialist Party, led by Mr Gonzalez, undertook to submit the question to a referendum, evidently expecting such a referendum to go against remaining in the

# Temptation

of holding a referendum. Only last week was he constrained to admit that the referendum should go ahead next March. It is important for Spain and for the West as a whole that there should be no further attempt to fudge the issue, and that the referendum should result in a clear vote in favour of remaining in the alliance.

Constructive

Membership in Nato is an integral part of the process of bringing Spain into the western European comity which began into the campaign.

Much will therefore depend nent has furthered.

On the wording of the question
Nato can give the Spanish put before voters. It should military a constructive role to address the issue of membership play, helping to keep it out of and nothing else. There should play, helping to keep it out of be no attempt to score personal political mischief. It can give be no attempt to score personal the forces access to joint procurement programmes and spanish industry access to joint text for abstaining. Nor should development with the allies. gration be raised in order to maximise potential support. That does not alter the fact that integration would serve the in-

This hope must be that after a role in Gibraltar. The alliance years of uncertainty and fudghas no interest in conceding ing the referendum will provide such a role in a base of great a firm "yes" to Spanish mem-strategic importance to a Spain bership in the western alliance. that has turned its back on Nato. Rejection or even an uncertain

The US has refused to make concessions of substance-rightly so, since there is no rational basis for making decisions as long as Spain's future relationship to Nato remains uncertain. But any procedural or atmospheric gestures that Washington can make would help with the overriding aim of keeping Spain in the allaince.

terests both of the West and of

For Nato, the Spanish navy verdict, perhaps caused by a can play an important part guarding the sea lanes between the Canary Islands and the progress into Europe.

Brace yourself for the head-lines: "The Battle of the Glens;" "The Tartan Takeover Tussle;" perhaps even "Will Distillers Scotch Argyll?"

Hearts in the highlands

At the start of their take-over struggle yesterday both Argyll and Distillers set out to show how very much their hearts are really in Scotland. in spite of the fact that they are away on business much of

the time.

Along with traded insults over share prices and management styles, the two groups are keen to show what they will do for the Scottish public interest.

Argyll yesterday neatly questioned the pedigree of Distillers' head office in Edinburgh by sending details of its bid offer to Distillers' London office in St James Square— where Argyll said it thought the company's activities were centred.

John Connell of Distillers

protested that the London office was a sideshow used mainly for export marketing. James Gulliver is a Scot from Campbeltown. Yesterday he announced that five of his six directors were also Scots. He added, so that his Edinburgh audience would be in no doubt where his heart is, "It is a source of sadness to me that in the early part of my career, to obtain full opportunity and raise the funds necessary to fund my own business, I had

to move south." Gulliver promises that the wanderer will return if his bid succeeds. He will, he says set up an enlarged group HQ in Edinburgh.

# Critics' corner

Sir Richard O'Brien hardly fits in with the "Marxist" epithet hurled by some anonymous Government minister at his report for the Archbishop of Canterbury on Britain's inner cities.
O'Brien, I would guess, stands the Social Democratic οE the political quarter

# **Men and Matters**

spectrum.

But the 65-year-old former chairman of the Manpower it seems, more than most in getting under the Government's

skin.

He got his knighthood in Mrs
Thatcher's first New Year's
honours list — a fact which
the Prime Minister probably
finds as irksome now as the
fact that he headed the Crown
Appointments Commission Appointments Commission which recommended Dr Robert



"I'm not saying it's Marxist, hishop—hut there is a tendency towards the church

Runcie's name to her as Archbishop of Canterbury. Politically, she has found the two of them a bit of a trial

to social neglect Further warnings about inadequate training and rising unemployment followed—and early in 1982, Norman Tebbit, then Employment Secretary.

replaced O'Brien with the more politically congenial Lord Young.
O'Brien was given the part-time job of chairman of the Engineering Industry Training Board. But as he approached retirement earlier this year, he emerged again as chairman of the all-party Employment Institute, set up in opposition to the Government's employment poli-

Now, with the Archbishop whose views on most things from the Falklands to the hand-ling of the miners' strike have caused annoyance in Downing Street — O'Brien is back with more criticisms. A prominent Church of Eng-

land layman, he has taken a lively personal interest in inner city social work since an early involvement with the National Association of Boys Clubs. The report which has so upset the Government, he asserted yesterday, was "in touch with

# Opting for optics

reality."

Sir Robia Nicholson, rather shyly agrees; yes, he has had a lot of approaches for his services. As the Government's about the strengths-and more restrained and deliberate O'Brien was making a forth-right protest about cuts in the MSC which, he said, would lead on the said, would lead of the said technologies.

The UK Atomic Energy pleased he had been eight — and he remembered how pleased he had been eight — and he remembered how pleased he had been eight — and he remembered how pleased he had been to discover that it had a chocolate centre.

only to take short-term advantage  $\cdot$  of his Cabinet Office experience.

rest in terms of its challenge and excitement, he says. Pil-kington, the glassmakers, has set out to build its electro-optical division into a sub-tan-

Normally in peacetime, the scientific community sees Nicholson's present post as its voice in the Prime Minister's ear. Nicholson has certainly had the lady's ear. but he has not been pressing the cause of the academics.

He has been focusing on economic problems and, above all, on Britain's failure all too often to turn its good ideas into commercial successes. He sees industry's mistandling of the as a national tragedy.

In Pilkington, Nicholson, 51, believes he has found a com-pany which can innovate and turn the results into a long-term source of earnings and profits. Rarest of 'all, it can even turn innovations in the defence field to commercial ad-

own experience," he says. The Thatchers are proud owners of two holograms — laser photographs — which are a spin-off of defence technology in Pilkington's electro-optical division.

# All is not gold...

chief scientific adviser for the last four years, he knows a lot gold medal bite his award, about the strengths—and more especially, perhaps, the weak-last time anyone had given him nesses—of Britain's situation a gold medal he had been eight in the advanced technologies.

(ABC), financed annually from the Government consolidated fund, already faces severe com-petition from three commercial networks and minority language programming, and has to be content with an audience share content with an audience share of between 12 and 15 per cent.

Over the past 10 years, Mr Keith Mackriell, ABC's European general manager, says the Corporation's funding has declined relative to the resources of channels 7, 9, and 10 dominated by the newspaper interests of the Fairfax group, Kerty Packer and Rupert Murdoch. In this year's settlement, ABC

Broadcasting

asked the government for A\$412m (£190.7m) and got We pared our bid to the bone and put in what we thought was a fair dinkum bid.

The worst happened and it was cut anyway." Mr Mackriell says. Between 200 and 500 people are now leaving the organisation following a reappraisal of staff

the American networks across the border picked up from both terrestrial transmitters and The terms of reference of the "There has been an almost Canadian task force indicate the invisible indiscernible pressure complexity of the problem. Its

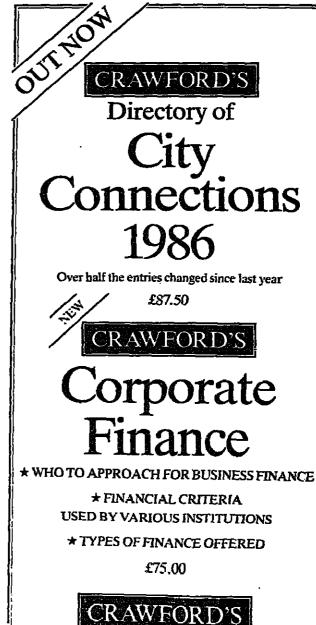
Such changes he believes would make the licence fee system workable for another 10 years until the technology is available to fund broadcasting by subscribing for complete channels — wather than indi-

# One offer stood out from the

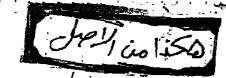
tial new source of revenue — turning a "subset" into a "phoenix" industry.

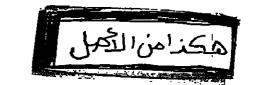
vantage.
Mrs Thatcher, who has twice visited the company, has given Nicholson's move next month her blessing. "She was able to talk to me about it from her

annual dinner recalled how he



The Marketing Department (XFG) 40 Duke Street, London WIA IDW Telephone 01-493 67/1





# Letters to the Editor

# Gap between British and French railways

From the Editor.

Railway Gazette International Sir.—It is all very well for the Government to chafe at the failure of Channel link pro-motors to sign agreements with on November 29. The main obstacle facing the promoters however is the seemingly unbridgable gap between BR's cautious forecast of 11m passengers a year and SNCF's

For example, SNCF cannot comprehend how it is possible for British customs and immigration officials to refuse point blank to work on a moving train when this is standard practice all over the continent. means that all trains entering Britain must terminate incon-London terminus where space

is available for the long queues inseparable from such examinations. So if SNCF assumes a agreement with BR," using the agreement with BR," using the needed for high speed service." three hour time for London-Paris without perceiving that motors to sign agreements with the transit time is actually 3\frac{1}{2}

British Rail and French Rail- hours because immigration ways (SNCF), as you reported officials require passengers to present themselves 30 minutes city for all the trains envisaged, before departure, its forecast of SNCF would prefer a tunnel diversion from air will be seriously adrift.

Likewise, SNCF is assuming

passengers a year and SNOT a very ambitious 16m. This discrepancy reflects in turn the totally different regimes within which the two railways operate.

SNOT cannot that new high speed much with the tunnel. To attract 16m passengers a year, these lines would have to be matched by greatly improved infrastructure on the British side, which our on the British side, which pur Government will not counte-nance. So capacity will be limited, and the high speed fliers will have to jog up to London at speeds far below the 125 mph achieved by BR on limited, and the high speed fliers will have to jog up to London at speeds far below the 125 mph achieved by BR on other routes.

Of the two main promoters, ments in Britain that went well beyond what BR is currently proposing in its £390m "minimum investment" package. To ensure that the 16m passengers a year envisaged by SNCF actually materialise, he wants

lower estimate of traffic; but CTG's partner France-Manche cannot settle with SNCF on a consistent basis. Although CTG's tunnel has ample capa-Although SNCF would prefer a tunnel under exclusive railway control and thus favours EuroRoute. BR's estimated traffic however is too low to support the £1.4bn investment in a tunnel used only

by through trains. EuroRoute's chief executive Robin Biggam told me last Friday that a separate rail tunnel could only be viable if there were infrastructure improvements in Britain that went well

The French consider this quite reasonable, but such an agreement is anathema to our Government because it commits public money to the tunnel project. Yet Mr Biggam says he must have a long term contract which commits the railway to a minimum level of revenue be-fore he can raise finance for a

CTG is more flexible in tha it can afford to regard rail as a marginal source of revenue. Nevertheless, both CTG and BR now consider that the fundamental disagreement between BR and SNCF can only be re-solved by a dialogue at Govern-ment level. Over to you,

Richard Hope. Quadrant House,

# COLLATERAL? ON MY WORD I WAS JUST MIPPING OUT OF THE OFFICE TO

# Monopolies in retailing

gers, both designed to see off (perhaps imaginary) corporate raiders, and both leading to increases in market power in sectors—retailing and food manufacture—in which the UK economy already shows a notable degree of concentration. Were the FT commentators not so busy reforming the Gatt and cleaning up world trade, they might have exposed the pretensions, cosy or sinister according to taste, of these local agglomerations.

If only because manufacturing, little as one may wish to have anything to do with it, is widely thought to be important, 89 Dacte Park SE13.

From Mr M. Taylor

Sir.—Your front page of usually gets down to scrutinising merger proposals in the tinny fanfare of defensive mergers, both designed to see off at outlang world as opposed to domestic market share. So one might expect the dispirited official machinery to case the Imperial/United Biscuits proposals in due course.

But since retailing is generally held not to matter very much, ambitious monopolists working in a largely sealed domestic competitive arenacan get away with merger so long as they embrace design and promise to foster consumer choice. A nation of shopkeepers, Sir: how safe is the genitive plural?

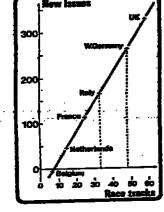
# Eight race tracks needed

From Professor G. Gregory
Sir.—I refer to the reported
analysis (Management Page,
November 19) by Mr Harry
Fitzgibbons demonstrating the
relationship between a country's
potential for a secondary marlest (in new issues) and the potential for a secondary market (ie new issues) and the number of horse race tracks within its borders. The analysis applies a simple average of the ratios of these variables, using the relatively crude average (4.3) of the three individual data values 5.5 (UK), 4.4 (France) and 3 (Holland).

A simple plot however, of the

data demonstrates a much closer relationship, the line — New issues = -49.6 +6.35 (Number of race tracks) +6.35 (Number of race tracks)

— passing almost exactly through the three values given. This then gives the revised figures for new issues of -5.1 for Belgium (7 race tracks). 160.0 for Italy (33 race tracks) and 255.2 for West Germany (48 race tracks). The potential in both Italy and Germany is rather greater than Mr Fitzrather greater than Mr Fitzgibbons suggests whereas Belgium should indeed seek an alternative source of venture



An alternative explanation of the negative value is that no country with any pretence to entrepreneurship can survive with less than eight race tracks. (Professor) Geoffrey Gregory. Department of Management Studies.

University of Technology, Loughborough, Leics.

# Barriers to free trade

free trade within the Com-

I noticed, however, that no mention was made of two damaging and extensive con-trols which limit the movement

the Community.

The first of these constraints, imposed by US corporations under the terms of the US Export Administration Act, seeks to deny rights of movement and change of use to users of ordinary commercial computers in the UK and EEC. This has been ruled illegal and a breach of UK sovereignty by Sir Michael Havers in a letter to me. Implying as it does that to me. Implying as it does that the integrity of Parliamentary jurisdiction has been usurped, it is deeply regrettable that Sir Michael in a continuation of within it.
the same letter indicated that Paddy Ashdown. he was not prepared to do any. House of Commons, SW1.

operated via the CoCom regula-tions. Those regulations, agreed national security requires.

trols which limit the movement of electronics and computers both within the Community, and in terms of exports from the Community.

The first of these constraints, imposed by US corporations under the terms of the US Export Administration Act, seeks to deny rights of movement and change of use to material covered by current CoCom regulations. In addition, one could argue, not unfairly, one could argue, not unfairly, that these controls seek to subvert both the letter and the spirit of the Treaty of Rome.

mended and encouraged in his endeavours, but needs to look beyond the Community for many of the constraints imposed

rrom Mr P. Ashdown MP

Sir,—Your paper has recently carried extensive reports on the bid by the EEC Commission to limit the barriere to though the implications are, for Parliament, Government and computer users in the UK

by a group of western nations without any form of treaty, cover far more material than

Lord Cockfield is to be com-

# Insolvency and the consumer

From the Finance and Services tees ought to be rendered illegal unless backed by collateral independently inspected and wouched and held in inde-

Sir.—I refer to the article "Insolvency and the con-sumer" in Weekend FT of

November 16. I have long discussed with friends an aspect of insolvency reform that I now propose is incorporated in the Bill.

Directors' personal guaran- Inverness.

Kishorn Oil Yard,

# Power across the Channel From the Deputy Chairman,

Central Electricity Generating Board

Generating Board
Sir,—Your story, "Channel
link too late for winter"
(November 26), is incorrect in
quoting electricity officials as
saying that the first stage of the
Cross Channel electricity link
with France "will start transmitting 500 MW of power
through two 250 MW cables by
March or April building up to through two 250 MW cables by March or April, building up to 1,000 MW in the summer."

In fact, we hope to establish first power flows by the end of December and commission the ment with France is ment with

first half of the link i.e. 1,000 MW, before the spring.
Your report is also incorrect in suggesting that my Board has "had to delay phasing out some of its small but expensive oil-fired plants in south east England which the imported electricity is due to replace." electricity is due to replace."

The link will have no such effect. The present arrangeterruptible basis, and the power imported under it is not counted in capacity terms.

and voicined and ited than the borrower or lender. This might well go towards securing the interest of consumers purchas-

ing from the smaller trading organisations.

# Local supplies for Nissan

From Mr N. Breedon
Sir,—Nick Garnett's article
"Nissan's ray of hope in a grim
landscape" (November 26) was
landscape" titled. The landscape "(November 26) was particularly well titled. The arrival of Nissan its only a ray of hope, it is not a solution sent by providence to save the economy of the north east. Unless industry in the area gets its act together Nissan will only provide employment to those working within its premises. Opportunities for supplier contracts will be lost if firms forget that "local" to a Japanese

company is more synonymous with "European" than "Sunderwith European land."
The basic premise which attracted Nissan to Washington has been overlooked. Nissan true to its philosophy was attracted as it stated "by the attracted as it stated " region's constructive humanity, the team work of those trying the team work or mose trying to attract it; their unity of purpose," essentially strategic development of aims and methods to achieve those aims, not hope,

fate and optimism.
In the same way the employ-In the same way the employment generating possibilities of feeder companies must be planned and developed. For all Nissan's desires to achieve 80 per cent local content by 1991, supplier contracts are not there for the picking unless suppliers can achieve the stringent criteria of quality and price competitiveness required. To compete in this marketplace north east local industry must constantly maintain its skills base, its management effectiveness its management effectiveness Washington, and the technological content Tyne and Wear

of its production processes and its products if it wants to achieve the high levels of quality assurance expected by Nissan and other such companies

Herein lies the historic prob-Herein lies the historic prob-lem of much of British industry; it does not recognise that the effective training of staff and the development of new skills is directly related to efficient and profitable production. Training is an investment to

achieve greater profitability and not something which, hopefully, happens by mysterious osmosis. There is a great deal of institutional assistance available to provide the training and technology transfer necessary to in-dustry. Major companies do not dustry. Major companies do not spend enough on training and there is still a reluctance from small and medium size companies to update their skills base. Training takes a backseat to production rather than being seen as a crucial element of the production process. production process.

If north eastern industry wants to maintain its competitiveness and maintain its his-toric pride in a highly skilled workforce it must now plan strategically to acquire and update these new technological skills.

Nev Breedon. Micro Technology Centre, Armstrong House, Armstrong Road, District 2,

# Most investment fund managers are myopic assessed their long term poten- justify holding any at all.

From the Investment Manager. Confederation Life Insurance Sir,-Clive Wolman (Lombard. November 29) is skating on thin ice, his defence of myopic" fund managers is neither justified by his arguments nor supported by the facts. The three examples of a long term view that are cited are, to say the least, debatable. Sectors such as stores and food retailing are not selling on result of an excessive concentration on the short term consumer boom and an inordinate amount of speculative activity. Stocks such as London and Edinburgh and Speyhawk are not selling at twice asset value because fund managers have not selling at twice asset value term look at composite man, woman or not. What is worty-because fund managers have ance it might be difficult to ing is that fund managers, on

tial, what they are doing is concentrating on the strong short term trend in profit/ asset growth that has been produced by these two and not giving a great deal of thought as to what happens beyond a one to two year time horizon.
The composite insurance example really clutches at straws. This sector's recent food retailing are not selling on substantial premiums to the substantial premiums to the market because of a "long market because of a "long market because of a "long flow of relative strength/weak-term view." Quite the reverse in fact, these ratings are the result of an excessive concentresult of an excessive concentresult of an excessive concentresult of the co

No, to those who have worked in the market for any decent length of time Mr Walker's comments on myopia ring very true. Fund managers are in general unwilling to take a long term view, preferring to follow short term cycles and being seen to be fashionable. What else justifies ICI currently on nine times earnings compared to, say, Dixons on a multiple of 33? Where is the long term view on ICI?

I dare say readers wouldn't mind too much if fund managers were short or long sighted, or even had two heads, if they actually produced the goods. It makes no odds goods. It makes no odds whether one agrees with Mr Wolman or not. What is worry.

the whole, do not perform adequately. I have on my desk a survey of UK equity pension fund returns, produced by an independent actuarial consultance. Once the 10 year period. tancy. Over the 10 year period to September 30 1985 only 43 per cent of managers achieved a return above that of the All Share Index. Over the five year period to the same date. again only 43 per cent were superior. Interestingly, over the one year period the figure was even lower, only 41 per cent. Such results hardly support an "efficient investor" theory with participants correctly discounting the present value of future earnings. Mr Walker is right to be

Paul Gaunt 50-52, Chancery Lane, WC2. BRITAIN'S R & D PROGRAMME

# A disturbing outlook

By Peter Marsh

In the long run, the marriage How Britain lags competitors between science and defence is corrupting, and will at best turn science from a liberating to a destructive force, and will at worst ultimately dry up the wells of inventiveness in the Change in R&D spending as proportion Italy\_ of GDP, 1981 - 83 scientist himself. THESE words, written 22 years ago by Lord Hailsham, now Lord Chancellor but at that time Britain's first Minister for -15% U.S. Science, may soon be rever-berating in the ears of Mrs Margaret Thatcher and her France Cabinet colleagues. The reason is a review of research and development in Britain by Sir Robin Nicholson, the Cabinet Office's scientific adviser, that - 5% the Government is about to pub-

The report can hardly fail to paint a disturbing picture. It is paint a distribing picture. It is likely to show that, while the country is increasing expendi-ture on R and D at a negligible rate compared with many of its competitors, the resources being channelled into military research (which produces relatively little in terms of commercial products) are rising dis-proportionately.

As Britain's spending on military R and D is already much higher than in most other Western nations, the outlook for the future of industrial activi-ties which rely on innovations in areas such as materials, elec-tronics and biochemistry, be-

gins to look alarming.

The message may already be getting home to some members of the Government. One objection in the Cabinet to Britain's participation in the US "Star Wars" programme is that more UK scientists would be tied up

defence. Military research accounts for 28 per cent of total R and D in the US, 27 per cent in Britain and 22 per cent in France, compared with only 4 per cent in Germany and 0.35 per cent in Japan.

The difference is due in part to the heavy spending by the government (out of the country's total R and D staff of some 260,000) about 27,000 work in defence.

Despite its political and strategic significance the volume of resources directed to military research seems to be inconsistent with the place if

The difference is due in part to the heavy spending by the three on nuclear weapons research. Less appreciated is the extent to which, in Britain, the resources channelled to military research have been military research have been per cent of exports. increasing, at a greater rate than those devoted to research research, moreover

2-8 2-5 2-1 2-7 Percentage of 1983 GDP runce. Schnomic Trends, August 1984 & August 1985 research rose in real terms by a mere 2 per cent and that spent on fundamental science declined that the fact that many UK defence programmes require the interest of the control of the c by roughly one-fifth, defence R and D climbed by 22 per cent.

R and D climbed by 22 per cent.

A little over three-quarters of Britain's £2bn outlay on defence research is spent in industry. The rest is spent in Defence Ministry research centres such as the Royal Signals and Radar Establishment at Malvern, the Atomic Weapons Research Establishment at Aldermaston and the in defence projects.

Britain, US and France all devote a relatively high proportion of their research cash to defence. Military research accounts for 28 per cent of total R and D in the US, 27 per cent in Pairin and 22 per cent in accounts 27 per cent in Pairin and 22 per cent in Pairin and 23 per cent in Pairin and 25 per cent in Pairin and 26 per cent in Pairin and 27 per cent in Pairin and 27 per cent in Pairin and 28 per cent in Pairin and 18 per cent in pairin and the Farnborough-based Royal Air-craft Establishment. Of the 62,000 sclentists and technologists employed by the government at Aldermaston and the Farnborough-based Royal Air-craft Establishment. Of the 62,000 sclentists and technologists employed by the government at Aldermaston and the Farnborough-based Royal Air-craft Establishment. Of the 62,000 sclentists and technologists employed by the government at Aldermaston and the Farnborough-based Royal Air-craft Establishment. Of the 62,000 sclentists and technologists employed by the government (out of the country's total pair and pair an ment at Aldermaston and the

> inconsistent with the place it occupies in the UK economy. Defence activities account for only 6 per cent of Britain's Gross Domestic Product and 3

Cash spent on defence research, moreover, rarely stimulates commercial advances in areas of more immediate benefit to the economy in industrial technology and fundamental science.

Between 1972 and 1983, Britain's total R and D spending trose slightly, from £7.01bn to £7.33bn (1983 prices). But while research, moreover, rarely stimulates commercial advances outside the military area, radio receivers for defence systems will seldom improve the quality of electronic hard-ware for civil use.

This is largely due to the This is largely due to the of research spending on arrested,

defence programmes require specific technical advances, for instance to "ruggedise" equip-ment for battle conditions, that are not needed in civilian areas.

In many instances civilian industrial products which could use technologies developed from a particular military programme simply do not exist. It is difficult to envisage, for example, many commercial spin-offs from work in designing nuclear warheads. The issue is important because other areas of the economy show signs of being

starved of research resources.

Britain is out of step with other leading Western nations in showing a fall in the proportion of its gross domestic product devoted to research (see table). Between 1981 and 1983, this figure decreased by 2.4 per cent to 2.3 per cent. a small change perhaps but one which is highlighted by the extra resources that other which is highlighted by the extra resources that other countries are putting into R and D. West Germany, Japan and Italy (all of which spend relatively little on defence research) all increased the resources devoted to R and D cover the same period, while similar trends were shown in France and the US, the two other countries with high levels of research spending on

military programmes

Britain's record of industryfinanced R and D — the area judged to have the most immediate effect on economic performance — has been dramatically worse than many of its industrial competitors over the past couple of decades. By contrast with Brita\_t's meagre 0.9 per cent per annum rise between 1967 and 1982, Japan increased its spending in this area over the same period this area over the same period by 9.8 per cent a year, and France and West Germany both by 5.9 per cent, and the US 4.1 per cent Even smaller countries like Ireland and Sweden recorded substantial increases

increases.

In its annual report on science and technology published in October the UK Department of Trade and Industry gave a gloomy prognosis. "Of the five leading industrial nations, the UK now devotes the smallest share of its gross domestic product to civil R and D. This disadvancivil R and D. This disadvan-tage in quantity is not offset by any generally greater effec-tiveness of R and D in Britain. A combination of different indi-

A combination of different indi-cators all point to the declining industrial impact of the UK's civil R and D effort."

The impact of reducing the proportion of R and D spent on military research is difficult to gauge. But it might make available more scientists and engineers for commercial activities

What should be done? Putting more defence research contracts out to tender and easing the restraints that stop military scientific establishments sharing their innovations with the outside world (both of which measures the Defence Ministry is trying) would certainly help. is trying) would certainly nelp.

If trimming back on defence
activities is ruled out on political grounds, a concerted effort
to boost the cause of research
and development in the rest of
the economy could be a more
fruitful way to propaged

fruitful way to proceed.

Individual scientists and engineers could do much more engineers could do much more to convey to the general popu-lation the long-term benefits of the work that they do in funda-mental areas of research. They

country is out of step with other developed nations in the way it conducts research—and of the dangers to Britain's industrial



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# FINANCIAL TIMES

Tuesday December 3 1985



**GOVERNMENT ADMITS DETECTION RESOURCES ARE STRETCHED** 

# Call for crackdown on UK fraud

BY PETER RIDDELL AND JOHN MOORE IN LONDON

THE Frand Investigation Group, serious cases of theft and deception in Britain's business community, needs more resources to pursue cases of alleged fraud, the Government hinted yesterday.

In the House of Commons, Sir Patrick Mayhew, the Solicitor Gen-eral, defended the record of the Director of Public Prosecutions in fraud cases in response to pressure for more vigorous pursuit of offenders. He conceded that the resources of the group, which forms part of the director's office, "were now seriously stretched and they are now under review." But he refused to go further because of discussions that were taking place with the Treasury.

His comments came in response to calls both from a Labour MP and a number of senior Conservatives for an increase in the resources of fraud investigators. Sir Patrick noted that the number of people awaiting trial or indictment for

BY DAVID DODWELL IN HONG KONG

BRITISH CALEDONIAN, the UK

airline group, yesterday abandoned

plans to set up an Asian route net-

work based on Hong Kong. The

company made a surprise late with-

drawal from hearings in the territo-

ry convened to consider the air-

line's application for licences to fly

to 24 cities in the region.
Mr Leonard Bebchick, a director

of British Caledonian (BCal) and

chief counsel for Caledonian Far

East Airways, the Hong Kong-based subsidiary applying for the li-cences, yesterday blamed political uncertainties in China, a change in

the licensing rules in Hong Kong,

and "pre-emptive moves" by Cathay Pacific - which operates as Hong

Kong's de facto flag carrier – for

"undermining" the plan.

BCal's withdrawal came at the

beginning of what was to have been a two-week hearing of Hong Kong's

Air Traffic Licensing Authority (ATLA) to consider applications

carrier, Hongkong Dragon Airlines

(Dragonair), to provide services from Hong Kong to China and oth-

rector's determination to prosecute fraud wherever sufficient admissible evidence was available and showed that with the present resources available he had been getting on with the job.

In relation to the alleged £40m (\$59m) fraud of Lloyd's insurance

syndicates once managed by Mr Peter Cameron-Webb, he noted that there were problems and delays in the evidence was located overseas. He stressed that successful prosecution depended upon available admissible evidence from people pre-Sir Patrick admitted certain prob-

lems at Lloyd's. He noted that Lloyd's was governed by its own legislation and that the Director of discussions about ways in which Lloyd's could make available transcripts when criminal proceedings were not in the difficulties at Lloyd's applied to making available transcripts when criminal proceedings were not in the difficulties at Lloyd's applied to making available transcripts when criminal proceedings were not in the difficulties at Lloyd's applied to making available transcripts when criminal proceedings were not in the difficulties at Lloyd's applied to making available transcripts when criminal proceedings were not in the difficulties at Lloyd's applied to making available transcripts when criminal proceedings were not in the difficulties at Lloyd's applied to making available transcripts when criminal proceedings were not in the difficulties at Lloyd's applied to making available transcripts when criminal proceedings were not in the difficulties at Lloyd's applied to making available transcripts when criminal proceedings were not in the difficulties at Lloyd's applied to make a variable transcripts when criminal proceedings were not in the difficulties at Lloyd's applied to make a variable transcripts when criminal proceedings were not in the difficulties at Lloyd's applied to make a variable transcripts.

Dragonair, which has applied to fly to 10 cities in China, will press

ahead with its application at what

"Recent events have turned a

sound business venture into a com-

mercial cul-de-sac," Mr Bebchick

Mr Bebchick gave three reasons

• Political uncertainty over the

time it would take to win traffic rights in China. That follows rene-

gotiation of a Sino-British air ser-

vices agreement in London last month, which made it "particularly

questionable" whether new en

trants would win such rights. The uncertainty had made it impossible

to give investors a realistic indica-tion of when operations in China could begin.

cence to operate the lucrative Pe-

said yesterday.

from BCal and a second fledgling cumstances, be more than one

for BCal's decision:

BCal abandons plans for Asian network

allegations of fraud. Officials at Lloyd's said that the Director of Public Prosecutions had been pro-prosecutions had been provided with numerous documents biggest scandals surrounding the affairs of Alexander Howden and

ance brokers.
The Director of Public Prosecu-"The Director of Public Prosecutions has been provided with the same evidence and documents," said Lloyd's officials, "on which to base any criminal proceedings as that which Lloyd's itself had in order to commence its own disciplinary proceedings against individuals implied Lloyd's approachings are was a freemason.

Mr Sedgemore claimed that Sir Peter and Mr Miller were members of a masonic lodge at Lloyd's and called on the Director of Public Prosecutions to give an assurance that no one involved in the investigation of alleged fraud at Lloyd's was a freemason. als involved. Lloyd's proceedings require the criminal burden of proof

ings without infringing operations see these transcripts as an aid to under this legislation. Lloyd's yesterday denied suggestions made at the weekend that it had withheld evidence concerning MP, last night called in a Commons

pre-empt any chance of BCal's win-

• "Pre-emptive moves" by Cathay

and operational logic of BCal's application. That refers to Cathay's

promise to resume services to Nag-

oya, Japan, and Kaohsiung, Tai-wan, from April next year. BCal said applications for licences to fly

to those two cities were critical to

the group's planned network, pro-viding "essential support points" for

onward services in north-east Asia.

"Cathay has responded to the threat of competition by moving to freeze out Caledonian from impor-

tant route opportunities. Given the rules of the regulatory game, there

Cathey protested that decisions to resume flights to Kaohsiung and

Nagoya had been under consider

confirmed Cathay's view that BCal's plans had been "opportunis-

is little we can do about that."

ning the same right.

restoration of confidence in Lloyd's. and transcripts relating to its two biggest scandals surrounding the affairs of Alexander Howden and Green, the former chairman of Minet Holdings, two large insur-Lloyd's, and Mr Miller in their handling of the troubles at Lloyd's.

Mr Sedgemore claimed that Sir

Mr Sedgemore also called on Lloyd's to abolish a system of un-derwriting whereby professionals inside Lloyd's gain financial benefits at the expense of the 21,000 oth-er underwriting members who do that Lloyd's powers to run its own affairs should be replaced by statutory control by the Government.

Hearings on Dragonair's applica-tion continue today. Cathay is op-posing the application for licences to fly to Peking and Shanghai – both routes operated by Cathay – but has not challenged its other li-Lynton McLain in London writes: The British Caledonian group is unlikely to proceed with a flotation of its shares next year. The board of and decided that now was not the

> pected, was that Mr Aquino was killed by a communist gunman, Mr Rolando Galman, who was shot by

expected the outcome.

Mrs Aquino said that 'misdirect ed elements in the military had a direct hand in the assassination." She appealed to "the decent elements in the military" to help to discover the truth.

The verdict was also greeted with dismay by the Philippines' most influential Catholic prelate, Jaime Cardinal Sin, who claimed that Mr Marcos's Government had lost a

on the President's birthday last September, warned in a formal statement that the court ruling "threatens to push our country to the brink of violence and despair." The verdict is likely to persuade Mrs Aquino to stand for president against Mr Marcos, who she has blamed for her husband's death. She broadly hinted on Sunday that she would announce her candidacy as soon Mr Marcos signed the bill setting the date for election of the president and vice president on

# France relaxes exchange controls

removal of exchange controls in stages. They are also timed to coincide with the European summit where the French would like progress on increased monetary cooperation in Europe. West Ger-many, in particular, has told France that a prelude to any such move must be a further lifting of exchange controls.

Among the easing of controls an-nounced for individuals, the overseas study allowance is doubled to FFr 10,000 a month. The ceiling on transfers which do not have to be justified has also been raised from FFr 1,500 to FFr 3,000. The Government has maintained the tourist allowance for each individual at FFr 5,000 in cash.

445p and Kleinwort Benson el's main shareholder, fell 4p in der mild pressure with the rise of dropped 5p to 575p – both were on London to 84p.

# THE LEX COLUMN **Philippines** Singapore slings, and arrows

300

Big Bang was always an impre-cise definition of a process of structural change in London's markets. For the real thing, you have to go to Singapore, where a monopoly of largely under-capitalised local stockbrokers existed last week but has probably vanished now.

The closure of the Singapore stock exchange is Big Bang in another sense: for every timid voice suggesting that the market may re-open on a realistic valuation of earnings, there are hundreds to say that Singapore (and Malaysia) have suffered irreparable damage as markets in the Far Eastern timezone. After all, the Hong Kong market kept its floor open during the Carrian affair, as a place for playing funny money, Singapore last week only really compares with Kuwait in 1982.

If it were simply a matter of clearing the S\$150m or so of for-ward share contracts in the Pan-Electric companies, there would be little problem. The Singapore authorities could merely bang the brokers' heads together and throw them into a lifeboat. The banks would be bullied into taking stakes and such foreign participants as James Capel - which raised itself above the parapet only to be per-pered with innuendo - would get off relatively lightly.

It takes, however, a deal of confidence to believe that the Pan-Electric group is the only one whose asset backing rests on cross-holdings, fraud or no fraud; and there is no point launching a lifeboat which will be swamped when the market opens again at what could be a much lower level. Co-operation with cial importance. Signs yesterday that Kuala Lumpur was not hon-ouring last week's bargains are scarcely encouraging.

international confidence unless it is matched with a package of reforms. If this means that the Singapore and Kuala Lumpur markets must be more heavily regulated when others are freeing up – well, that's mild curious capitalism.

Polly Peck

£61m when three weeks ago its own terms had given any guide to the be worth 300p a share, but it was broker was predicting £82m. The outcome of the affair. But the destrading at a 27p discount last night.

**Polly Peck** 

given the compexity of Polly Peck's operations, analysts could be forgiven for underestimating the effect of a 44 per cent devaluation of the Turkish lira in the period up to the results. The company understandably does not want to divulge how much money it is going to make, but it might usefully give brokers a lecture on the likely effect on profits of a specified movement in the lira and the dollar. In the year in ques-£15m off pre-tax profits, although it is not clear how much was from un-

how much from uncovered receiv-

The underlying trading periormance was more respectable. Margins were squeezed in agriculture, by far the largest division, but at 37 per cent, they are still no mean achievement. Guessing profits for the forthcoming year is more dangerous than ever, but the shares much lower level. Co-operation with down 15p at 170p ~ are on a p/e of the Malaysian authorities is of cruearnings. Now that the yield has risen to market levels and the company has undertaken not to issue carcely encouraging.

Above all, a rescue of the broker.

more shares this year, the rating seems to reflect singed fingers as age houses will be futile in terms of much as worries about currencies

### Argyll/Distillers

The equity market expressed a mild curiosity about the terms of Argyli's bid for Distillers, but more out of politeness than anything else. The terms had been broadcast well in advance and there is noth-Profit forecasts may be out of or- ing so exceptional any longer about Office of Fair Trading, Yesterday's ler, but something must have gone billion-pound takeovers on Monday closing prices showed that the seriously awry for Polly Peck to mornings. The market might have turn in 1984-85 pre-tax profits of shown a little more interest if the

tiny of Argyll Group rests as much with the Office of Fair Trading (OFT) and the direction of the equity market as a whole as it does with the terms unveiled yesterday.

To that extent, Argyll should have been well pleased with the way the day went. With its cash alt-ernative safely underwritten, a fall in the market of the severity seen yesterday can only increase the yesterday can only increase the pressure on Distillers. Last night, the Distillers share price was trading around 18p below the Argyll terms. The discount may reflect concern about a Monopolies Com-mission reference, although it is hard to see how yesterday's events could have made an investigation any more likely. Argyli's proposal move its own headquarters to Scotland was a shrewd manoeuvre, and the terms as presented do not suggest that the OFT should be un-duly worried about Argyll's gearing or the forced dumping of whisky stocks. The interest bill is covered three times over in the pro forma revenue account.

### Imperial/United

Nominally, Imperial is making an offer for United Biscuits, although the deal is being presented as a avoidable translation losses and merger. The reality looks more like a reverse bid by United for a much larger company, looking to gain managerial control after a short but decent interval, and obtaining access to a much-needed cash generator (the Imps tobacco business) on what look distinctly favourable terms. Even for admirers of United, be regarded as a coup. The reason the terms look so at-

tractive is the low rating of Imperial's tobacco earnings. To adjust this out of the reckoning, on the ground that tobacco will be less significant as time passes, is an argument that may perhaps allow the Imperial shareholders to put up with 15 per cent earnings dilution; but if the market persists in awarding a discount rating for tobacco, then it should also wonder how cheaply United is making what looks like the ultimate disguised rights issue. The chances are that everybody will have plenty of time to think this riddle through, courtesy of the

terms were not the whole story; taking Imperial at 240p, United should 3.0

# Israel plans \$400m cuts in 1986 budget

By Lynne Richardson in Tei Aviv THE ISRAELI Government yesterday announced cuts in next year's budget of USS400m. That is less than the \$600m cut proposed by Mr Yitzhak Moda'i, Finance Minister, and far less than the Sibn suggested by many economists. Mr Shimon Peres, the Prime Minister, still hopes to persuade the Cabinet that

The proposed budget of \$21.2bn for fiscal 1986 is already higher than the 1984 figure of \$20bn which was eventually cut by \$1.2bn, according to government sources. Defence takes the largest slice of

more cuts are needed.

the budget total. The Finance Minister has asked for \$180m to be cut from the Defence Ministry budget, but Myritzhak Rabin, the Defence Minister, opposed it fiercely, having accepted drastic cuts last year. In the event, the reduction will be only \$100m. Mr Rabin was adamant that heavy cuts in his ministry's budget would mean the abandonment of the project to build a fighter aircraft, the Lavi. A reduction in taxes, which was

to have been used to encourage pro-ductivity, has been postponed at least until July 1986. Instead, reduced export incentives will cost business community about

their salaries eroded by more than 25 per cent this year, will be seriously affected by the proposed \$120m cut in subsidies on basic foodstuffs, public transport and

World-Weather

# Italian steelmakers fail

FALCK, Italy's largest private steel

written to the Minister of State Holdings (Mr Clelio Darida) informing him that we do not have an agreement," Falck said last night. Finsider said the talks had failed Falck's demand." The state steelmaker said it did not know what would happen next.

Falck yesterday denied that its description of the negotiations with Finsider as "failed" was a negotiating posture. "It is real. We made progress on the financial compensation front, but on industrial questions we reached an impasse," it

Finsider state steel concern – de-

company, said yesterday that its long-running negotiations with the

Giovanni hot strip mill near Milan.

# to agree deal on quotas

A Hong Kong government ruling that there would not, in normal circum, locally incorporated competitors. Mr Peter Sutch, Cathay's man-

Hong Kong carrier on any route. aging director, said the withdrawal Cathay Pacific has just won a li-

BY ALAN FRIEDMAN IN MILAN

signed to agree a compensation package for the transfer of Falck's EEC production quota to Finsider's newly modernised plant near Naples - have failed.

The talks, which have been underway for more than eight months, collapsed at the weekend. The EEC deadline for Italian steelmakers to resolve their differences and agree a rationalisation package to meet production quotas, expired on

"For us, the negotiations have failed and are finished. We have because of the exorbitant nature of

The talks broke down over Falck's demand that it be allowed to acquire Finsider's steel-plate plant at Campi, near Genoa, as part of the compensation package for its agreement to shut down the Sesto San

According to Falck, the state steel-maker refused to cede Campi. "Without Campi this agreement would destroy Falck," the Milanbased company explained.

Finsider has viewed the Falck is sue as vital to its plans to neet EEC quotas by making full use of the Bagnoli plant near Naples, which has a capacity of 2m tonnes of steel a year. Under present EEC guide-lines Bagnoli is only allowed to produce 1.2m tonnes, which is

The state concern, therefore needs to secure the closure of Falck's plant at Sesto San Giovanni which would free a quota of 730,000 tonnes of capacity for Bagnoli.

Falck has asked the Italian Government for L600bn (\$352m) of compensation in order to close its Sesto San Giovanni works. It is understood that the Italian Government offered IA00bn, which would have been sufficient if accompanied by an agreement to transfer the Genoa plant to Falck.

Paul Cheeseright in Brussels adds: European Commission offi-cials noted that, if the Finsider-Falck plan is irretrievably lost, then they will be forced within the next two weeks to demand of the Italian Government capacity cuts in both the public and private sector of about 1m tonnes as a condition for authorising some L3500bn of

The BCal decision leaves state-

large UK airline expected to seek a stock-market flotation next year.

probably before the end of its finan-

Continued from Page 1

tation has been given.

Mrs Thatcher remained equally adamant that monetary questions should be left out - a British position which reflects a fear for loss of

During the opening debate on the economic situation in the Commu-nity, Mrs Thatcher won the backing of President Delors for the creation of a special watchdog unit to moni-tor the impact of Commission regulations on business.

first raised the question at the Brussels summit last March. Yesterday she again warned that "per-nickety" bureaucracy could stifle enterprise and job creation. Mr Delors agreed that a small team would be set up under Com-

Either the Finsider-Falck plan or the independent cuts were laid down as conditions for the subsid-

# **EEC** leaders struggle over Treaty reform

autonomy by the national central

Mr Bettino Craxi, the Italian Prime Minister, said the discussion was going "in a very difficult way." He said there was not an atmos phere "best suited for reaching large, convincing and satisfying

As the EEC leader responsible for launching the reform process, Mr Craxi said there was too much "rigidity" and the most difficult subjects had still not been really con-

The British Prime Minister had

mission auspices to ensure that the benefits of any new Community

the additional "red tape" it would incur. The new unit would also seek to bring about significant reducbureaucracy

### reinstated GENERAL FABIAN VER, chief of the Philippine armed forces, and 25 other people were acquitted yesterinvolvement in the assassination of the opposition leader, Mr Benigno Aquino, at Manila airport in 1983. The verdict cleared the way for Gen Ver's return to his post, fuelling public cynicism towards the 20-

acquitted,

chief

year-old Government of President erdinand Marcos. Gen Ver, 65, who went on leave late last year after allegations that he was linked with Mr Aquino's murder, was reinstalled as chief of the armed forces by President Mar-

cos after the accuittal. The reinstatement of President Marcos's long-time aide and distant relative defied warnings from his supporters in the Administration of President Ronald Reagan that the move could draw "violent reaction"

from the US Congress. There was no immediate reaction from US officials, who had threatened to cut military and economic aid to the Marcos Government if

Gen Ver was returned to power. President Marcos said Gen Ver's esumption of duties was "for such period as may be decided upon by me and upon the advice of senior officers of the armed forces."

Gen Ver and senior service comnanders are to meet today to draw up a reorganisation plan, ostensibly designed to strengthen the military establishment in the wake of a worsening insurgency problem. But opponents of Mr Marcos's regime the group, parent company for Brit-ish Caledonian Airways, was still interested in a flotation "as a strate-ment support President Marcos, interested in a llotation "as a stratement support President Marcos, gy." the airline said yesterday, but who is standing for re-election, at

The verdict, which was widely ex-BCal is forecasting a slower growth rate next year. That and uncertainty over fuel prices have consecurity forces moments later. tributed to the board's decision. No The armed forces maintained

indication of a likely date for a flothat Mr Aquino was shot by Mr Galman, a theory rejected by the Aqui-no family and by an independent owned British Airways as the only civilian inquiry panel that Presi dent Marcos commissioned investigate the murder. The Government is to privatise BA,

The inquiry panel had concluded that Mr Aquino was shot by one of his military escorts and that senior officers, including Gen Ver, concealed this by accusing Mr Galman "With the grace of God, the ordeal which my family and I have undergone for the past two years has come to an end," Gen Ver said of

the verdict. Mrs Corazon Aquino, 52, widow of the murdered opposition leader told a news conference, after learn ing of the verdict that she had

chance to regain credibility.

Cardinal Sin who embraced Mr Marcos in a controversial gesture

Continued from Page 1

February 7.

in part to pre-empt the opposition's electoral platform, which calls for a

The measures are also intended to demonstrate the Government's





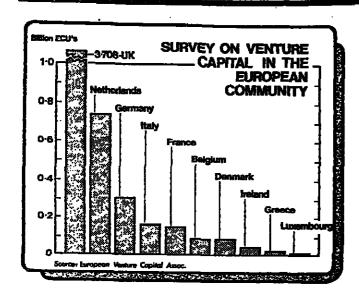
# Securities firms seek aid Continued from Page 1

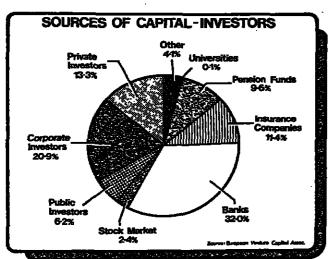
Alexander Nicoll in London adds: the steering committee for bank The Singapore closure overshad- creditors of Pan-Electric. owed the London stock market, contributing to an 18.5 point fall in the Financial Times Ordinary Index to 1,124.4. Share prices of companies with South-East Asian interests fell on concern about the impli-

cations of the crisis. M & G, the investment management group which has several Far Eastern unit trusts, fell 40p to 760p. Among overseas trading concerns, Harrisons and Crostield lost 17p to

The impact of the stock markets' closure on London-based stockbrokers was expected to be far less severe than on locally based firms. The potential exposure of James Capel, one of the key foreign bro-

kers involved in the crisis, was thought unlikely to be significant James Capel said it had "not defaulted on anything whatsoever. We have settled everything we have been required to settle." The share 336p and Inchcape 13p to 300p. price of Hongkong and Shanghai confidence in the strength of the Standard Chartered fell 7p to Banking Corporation, James Capfranc, which has recently come under the confidence of the strength of the Standard Chartered fell 7p to Banking Corporation, James Capfrance, which has recently come under the confidence of the strength of the Standard Chartered fell 7p to Banking Corporation, James Capfrance, which has recently come under the confidence of the strength of the Standard Chartered fell 7p to Banking Corporation, James Capfrance, which has recently come under the confidence of the strength of the strength of the Standard Chartered fell 7p to Banking Corporation, James Capfrance, which has recently come under the strength of the strength





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Management Buy-outs: High flying sector of the industry 6

Corporate Venturing: Much thought going on but, as yet, little action being taken 6

Business Expansion Scheme: An example of how the best 

Venture Capital THE SURGE in enthusiasm for venture capital, having first engulfed the UK, is gathering

Sources of risk finance for small businesses have never been so numerous. European governments, led by Britain, the Netherlands, France and West Germany are experiment-ling, with varying degrees of success, with this US-inspired investment discipline as a means to stimulate the fledgling enterprises which they see as so vital to their nations' eco-

pace as it spreads across Conti-

West Germany, for instance, is trying to inject more dynamism into its venture capital industry by passing legislation to allow individuals to invest via publicly quoted funds in small enterprises. France added legislation earlier this year to stimulate risk investment, on top of a battery of existing support measures.

The Netherlands, meanwhile, has helped to turn its venture capital industry into the second largest in Europe with the introduction of an increasingly popular government guaranteed equity investment scheme. In Britain, the longer established Business Expansion Scheme has played a similar part in creating a more entrepreneurial climate among businessmen and

At the same time, however, At the same time, nowever, the heady optimism associated with this fast growing industry's early years is being leavened with a touch of sobriety. Venture capital organisations in the US and Britain are beginning to realise

Britain are beginning to realise that the process of supporting small expanding companies requires quite different — and more demanding — disciplines to those needed to pick potential winners in the first place. The continuing shake-out in the prices of high technology stocks quoted on the US overthe-counter market, echoed by a similar downturn of electrical share prices on London's Una similar downturn of electrical share prices on London's Unlisted Securities Market, has shown just how vulnerable such ventures can be when turning cent to 62 per cent of the

The venture capital industry is growing rapidly, but it is being found that the disciplines required to support young, expanding companies are quite different from those needed to pick potential winners in the first place.

# Gathering pace across Europe

By William Dawkins

similar businesses, by too few human resources." The result was that 1984 "was a year to pay the piper for earlier excesses," though the industry will benefit from the stabilisa-tion that is currently eccurring

tion that is currently occurring, argues the journal.

One consequence of the pressures on US venture capital

—and a mark of the growing internationalisation of the

internationalisation of the industry—is that an increasing number of US institutional

investors have begun to turn their attention to Britain.

The extent of this dearth was

revealed in a recent report by the European Venture Capital

Association. This showed that only just over half of the Ecu 7bn (£4.3bn) of risk capital available in the Euro-

pean community had actually been invested in small busi-

community had actually

out products with short life-cycles for fast changing the US last year, with a similar, industries.

Important institutional in-the UK. the UK.

As a recent issue of the US magazine, Venture Capital Journal, put it: "We almost had it all in 1983... Money was easy to raise and too much was invested too fast, in too many

vestors, many of which expected too much too soon from their venture capital investments, are beginning to take a more critical look at the industry's performance before getting more deeply involved.

"Institutional investors were

only interested in one thing-investment results -- and from 1979 to 1983, they got them. Since then... the experience has been less than satisfactory," Mr Peter Brooke, managing partner of the US-based international venture capital group. TA Associates, told a recent conference in Geneva.

The widely publicised management and trading problems experienced by formerly spectacular US venture-backed success stories like Apple Computer and Federal Express, the overnight package delivery service company, have only served to emphasise just how easy it is for risk capital investments to turn sour.
It is hardly surprising against

this background that the rate of growth in fund raising and investment in venture capital has slowed on both sides of the Atlantic. Meanwhile, the proportion of

nominally available for venture capital throughout Europe, the general lack of sufficient good quality investment projects or young companies requiring investment dictates that a large proportion of the funds will be channelled into mature companies requiring development capital," said the accountancy firm, Peat Marwick, which com-piled the report.

The association's anxieties The association's anxieties are illustrated by the ease with which large management buyouts have been able to raise money on an unprecedented scale in Britain this year. An estimated £800m or more has been spent on UK buy-outs so far in 1985, Admittedly, most of that came from banks rather than venture capital investors, but it still dwarfs the £294m invested by the British venture capital industry in the whole of

Both the association and the companies address Europe as if it were an extended domestic

Syndication is getting more common across Europe as ven-ture capital investors become more aware of the value of Venture capitalists in the UK sharing risks, but "the tendency and all over Europe are, how is still to conclude arrangeis still to conclude arrange ments with national partners,

ever, complaining of a serious shortage of investment oppor-tunities of the right quality, especially among start-up busisays the association.
An encouraging sign that these barriers can be overcome came with the announcement in September of a \$65m (£45m) plan for an all-European custom microchip company with opera-tions in Britain. France and West Germany. European Sili-con Structures, to be chaired jointly by Mr Bob Wilmot of Britain's ICL and Mr Robert Heikes, head of the US group National Semiconductors' Euro-

European commission are anxious about the restrictions which small European businesses face, because of the considerable national and trade barriers they have to overcome in a fragmented community. They are both looking for ways to encourage cross-border syndi cation of venture capital financings as a way to help small

raised \$4m from venture capital funds in six European countries and plans to pull in \$60m more, However, ventures like that are extremely rare in Europe.
They embody a depth of management experience and scale of ambition which is entirely lacking from the bulk of investment proposals which



Admittedly, the success of London's USM and its Dutch and French counterparts has contributed towards changing that state of affairs. They have proved to managers that the rewards for building a business can be huge, and have provided an essential exit route whereby

CONTINUED ON NEXT PAGE

# **Sealocrete Holdings Limited**

**Management Buy-Out** 

Arranged by

### COUNTY BANK DEVELOPMENT CAPITAL LIMITED

Equity and Loan Financing Provided by

Allied Irish Investment Bank plc County Bank Development

Capital Limited

Commonwealth Development Finance Company Limited

Lloyds Development

Capital Limited

National Westminster Bank PLC

# Vosper Thornycroft (UK) Limited

Management Buy-Out

Arranged by

### COUNTY BANK DEVELOPMENT CAPITAL LIMITED

Equity and Loan Financing Provided by

County Bank Development

Capital Limited

Gresham Trust plc

Standard Chartered Bank

# **Apollo Metals Limited**

Management Buy-Out

Arranged by

### COUNTY BANK DEVELOPMENT CAPITAL LIMITED

Equity and Loan Financing Provided by

West Midlands County Council County Bank Development Superannuation Fund TEAM Venture Fund

Capital Limited Melville Street Investments (Edinburgh) Limited

National Westminster Bank PLC

# Viscose Closures Limited

Management Buy-Out

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### COUNTY BANK DEVELOPMENT CAPITAL LIMITED

Equity and Loan Financing Provided by

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Citicorp Venture Capital

Investors in Industry plc (3i)

Henry Ansbacher & Co. Limited

**COUNTY BANK** DEVELOPMENT CAPITAL LIMITED

The Continuing Series of Management Buy-Outs

Switch to more supportive role



Mr David Cooksey, managing director of Advent, which like other Us-inspired groups, such as APA, Thomson Clive and Venture Founders, provides "hands on" support to young companies.

# Gathering pace across Europe

CONTINUED FROM PAGE ONE institutional investors

extract their profits.
Yet the incentives for seasoned managers to abandon the security of careers within large corporations for the perils of an independent existence are still far less in Europe than is the case in the US. According to one estimate, the average than 100 fund managers with 40-year-old British executive in over five years' experience of a senior post can expect to have venture capital in the UK. In an area, 500,000 eventure capital in the UK. In an area, 500,000 eventure capital in the UK. a senior post can expect to have saved £50,000 excluding pension rights, while his US counterpart in westments in domestically will have saved about \$250,000 based companies alone last vear, their skills are considerably stretched.

The signs are that this year's continuing to grow fast, but fund raising will just about a large share of the industry's fund raising will just about that is on the assumption that one excludes the huge sums management buy-outs.

On the other side of venture capitalists' desks, the British industry is still notably short of executives experienced enough to provide the kind of "hands on" support to portfolio companies such as offered by US-inspired groups like APA. Thomson Clive, Advent and Venture Founders.

which can be traced back over 100 years.

being mobilised to back management buy-outs of large estab-The UK lished companies, an activity outside the strict definiton of WILLIAM DAWKINS

THE British venture capital industry is entering a cooling-

off period after three years of

Many venture capital groups are finding that after the glamour of the early years chasing up new investments, an

increasing proportion of their time is now being directed to-

1985 will be remembered as the year when it began to come

lists around 130 groups.

hectic growth.

venture capial,

Powerful institutional inves-tors like pension funds, which contributed 40 per cent of last year's venture capital pool, are waiting to see how their earlier investments. have performed investments have performed before getting too heavily exposed to what is a new field for them. Fund managers, meanwhile, are finding their ability to invest new money hampered by a shortage of start-up companies of the right size and wards supporting existing com-panies with management advice quality.

Investment, as opposed and further rounds of finance. If 1984 was a year of crowning achievement for the industry. fund raising, rose from £215m in 1983 to £284m in 1984, a figure which would be much larger if it included the substantial sums placed by Investors in Industry (3i) and the

Fund raising and investment in emerging enterprises both reached new highs in 1994, while a record number of venture capital groups were formed. Thirteen independent groups joined the industry last year, bringing the end of 1984 total to 99, a far cry from the bare handful of players which existed a decade ago. Our guide to sources of capital for unquoted companies, published elsewhere in this survey. lists around 130 groups. sign of the shortage of deals

The industry raised a total of £230m last year, according to Venture Economics, the London-based research consultancy. Most "It is becoming increasingly obvious that there is a very limited supply of good early stage deals, with the result that there is sometimes hectic of that went to independently managed funds (as opposed to groups owned by banks or pension funds) the fastest growing sector in the risk investment business. They pulled in £193.3m, up from £112m in 1983. bidding for them," says Mr Tony Lorenz, managing director of Equity Capital for Industry (ECI).



Mr Ronald Cohen, chairman of Alan Patricof Associates

"We are having to look at later stage companies because there are not enough of the early stage investments available at the right prices," says Mr Lorenz. "There is a lot of money around, and many people are feeling that it is better to use management resources

use management resources—
which are still pretty thinly
stretched—to nurture the
bigger deals."
Mr Geoff Taylor, head of 3i
Ventures, the high technology
investment arm of 3i, echoes:
"Now that the heady bloom
of 1983 and 1984 has worn off,
we are left with a level of
quality backable deals that is
lower than we would like to
see."

see.

3i Ventures, ECI and other groups have as a result been directing all their marketing and promotional skills this year towards encouraging more experienced executives to leave large companies and strike out on their own.

As part of that process, ven-

ture capital groups are getting increasingly involved in creating their own deals rather than just waiting for them to roll in. One example as the approach taken by Alan Patricof Associates (APA), in approaching Dubilier, the US electronics group, with an idea for a spin-off which resulted, in July, with the creation of Ion Beam Systems, an ion optics group with headquarters in the UK and US

Deals of that nature are so far rare in British venture capital, but Mr Ronald Cohen, chairman of APA, believes they will become more frequent.
"It's all part of creating your own demand," he says. Similar thinking lay behind the formation by ECI last spring of a joint venture. Pre-lude Technology, with Cam-bridge Consultants and three

pension funds to fund research projects with the aim of turning them into commercial ventures, an approach attempted by at least three other funds with varying success. The industry is meanwhile

finding that a greater share of its investment is going into refinancing companies which have already attracted venture capital backing. Refinancing accounted for 16 per cent of last year's investments, according to the British Venture Capital Association, and that proportion is almost certain to rise in 1985.

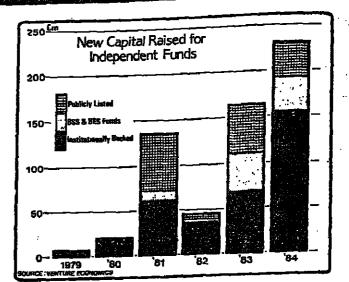
In one respect, that trend is a natural result of an importan natural result is an impor-ant principle of venture capital; that developing companies re-turn to their backers for more finance as their needs grow. Yet the investments of earlier years have also brought with them their own special prob-lems—and in some cases these have stretched the management

have stretched the management skills of their venture capital backers to the limit.

These difficulties were highlighted last summer by the Prudential Corporation's decision to merge Prutec, its high technology start-up arm, with its in-house venture capital activities because of higher than expected losses and management problems among Pru-

agement problems among Pru-tec's investments.

The episode led to the resignation of Dr Derek Allam as Prutec's chief executive and



illustrated harshly that the disciplines needed to handle the problems of growing companies are very different from the glamorous business of appraisance. ing and backing new invest-

An important stimulus to the venture capital industry has come from the Government's Business Expansion Scheme (BES), which permits indivi-duals to claim tax relief for investments in unquoted companies. BES funds accounted for about 20 per cent of last year's venture capital investment and fund raising activity -and they too have been through a cooling off period in

By the end of October, £18.3m had been raised by 13 BES funds, according to the BES Magazine. That is well down on the f31.8m raised by 25 funds in the comparable period of 1984. A flow of direct share issues A flow of direct share issues from asset-backed ventures like wine cellars, art dealers and race horse breeders has sapped many investors' appetites for the

riskier proposals which the funds tend to back, in line with the Government's intentions for

Property developers were thrown out of the scheme in the last Budget, but the current stream of direct issues still invites questions over the scheme's effectiveness. The Government is concerned to what extent the BES provides new money for small businesses or merely replaces other sourc sources of finance.

Failures among the earlier BES-backed companies have also served to cool investors' sentiment. At least 29 of the 205 companies to have received BES finance in 1983-84 have failed, and five of the 220 ventiment to be backed under the tures to be backed under the scheme in 1984-85 have also

Those failure rates are not high by venture capital stan-dards, but they provide a sobering reminder of the extent to which venture capital is a risk

# Consumer Related Computer Related Industrial Products investments by industry Sector Energy/Mining

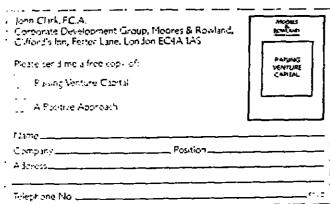
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# Glowing if less eventful future

The US

TERRY DODSWORTH

THE striking financial returns from the US venture capital market over the last few years have generated the sort of expectations that are very diffi-cult to maintain. This much has become obvious in the last 18 months or so, as many of the venture funds have suffered a downturn in profits, or, at the very least, begun to mark time. It is more difficult to say to what extent the setbacks mark a decisive change in the market.

In the palmy days of the early 1980s, the US venture capital business grew at a rate which looked under any sober analysis to be unsustainable. Back in 1978, the funds assembled in the venture pools amounted to \$2.5bn, and actual investments amounted to something over \$300m. Six something over \$300m. Six years later, the pools had increased to \$16bn, while investments had grown to

It was not difficult to see why other areas in the good years were often able to double their money, and returns on venture capital invariably outperformed the stock market. Rates of return of 30 per cent to 40 per cent were by no means uncommon, and the average over the 10 year period to 1984 was reckoned to be between 20 and 30 per cent.

Last year, however, the growth came to a stop. Many funds found themselves barely breaking even, and although performance has picked up again this year, the average rate of return is expected to be no more than around 20 per cent— a modest figure by the tradi-tional standards of the industry.

The causes of this turnaroun can be traced to supply, demand and marketability. Any business which shows excellent profits inevitably attracts competition, and this is what has happened in venture capital, as more funding has come in to try and

capture the returns. At the same time, one of the principal sectors demanding new funding—the personal com-puter and software industry— has developed to a stage where the technology is beginning to be concentrated in fewer—and somewhat maturer-hands.

The personal computer business seems to be settling into a period where there are a few dominant mass suppliers, pro-ducts of which are com-plemented by several niche players. But there are unlikely any longer to be the plethora

of companies in the field ing their new investments in and less reward. In the past, battling it out to become IBMs this field by around 45 per cent the risk element has been high in the first half of 1985, accord—as many as 40 per cent of the ing to Venture Economics, the companies backed by the venture to the companies are companies.

With the shake-out in the personal computer sector, the stock market has also lost some of its enthusiasm for high tech-nology stocks. In 1984, in particular, trading prices came under such pressure that many of the venture capital companies that had been floated off found their shares trading at a discount to their issue price.

This, in turn, knocked the stuffing out of the new issue business, with the result that companies that might previously have sought a public quotation were unable to do so. They have thus stayed on the books of their initial sponsors for a longer period, cutting into the financial returns of the venture capital specialists.

With the US stock market currently at record highs, and sporting the sort of price-earnings ratios that have not been seen in years, it might be considered odd that the market for initial public stock offerings remains so dead. The fact is, however, that at the moment the main attention of the risk takers is being concentrated on It was not difficult to see why other areas of speculative the business had shown such a activity, notably takeovers, spectacular growth. Investors where the returns in the past two years have proved excep-

> Some of the big US institu-tional investors which have typically invested heavily in-venture capital pors over the past few years—the pension funds insurance companies and funds, insurance companies and rich individuals—have also discovered a new game. This is the rapidly-developing business of management buy-outs, where most investors over the past five and less dizzy financial returns.
>
> Indeed, some analysts believe most investors over the past five years have typically shown above-average returns for risks which appear more predictable than in the venture capital

Massachusetts research firm.
The total of funds available for venture capital investment has not shrunk significantly because most of the slack has been taken up by foreigners, who are still impressed by the speed and diversity of technical advances in the US. Venture Economics estimates that in the first half of this year, foreign investors raised their share of US venture capital investment from 20 per cent to 27 per cent, reaching a total of \$352m. The total figure invested in the entire sector this year is

expected to reach around \$3bn, not far short of 1984. Despite the maintenance of the financial base of the venture capital business, however, it is undeniable that much of the punch and certainly the astro-nomic growth rate has disappeared-at least for the time

The US venture funds are facing up to the retreat from a high growth pattern in a variety of ways. Some believe that, since their expertise has been built in Silicon Valley-type electronics-based activities, that is where they should stay. Others are beginning to discover new areas of activity, backing other non-electronic high-risk, high-reward technology-based start ups. Yet others are moving away still further from the technology concept to support new companies in service and

Indeed, some analysts believe that what is happening to the business at present is not simply a cyclical downturn, as many of ture capitalists have failed. The venture companies also

appear to be less willing these days to accept the risks which they took as a matter of course in the days when their invest-ments were more liquid. Whereas they use to be happy in many cases to take around 40 per cent of a company's equity, they now regularly demand up to 60 or o per cent.

Partly because of these more

stringent demands, companies have begun to turn to a new and growing form of venture support—big public groups that willing to finance and help with the development of an innovative idea. The funds invested by large corporations in this way have grown from \$100m in 1980, says Venture Economics, to \$470m last year, while the number of companies with established programmes to invest in this way has tripled in the last three years to around

This alliance between large bureaucratic organisations and small entrepreneurial units is aimed at drawing the best from both. The big company receives the advantage of the new ideas that are being produced in the more free-wheeling environments which small businesses generally provide, while the small company can draw on technical and marketing support from its larger partner.

However, for many of ne smaller entrepreneurial businesses that have had such a dramatic impact on the US corporate system in the last 10 years, co-operation with larger companies is probably a secondbest choice compared to the freedom of making it alone. which appear more predictable than in the venture capital business at present is not simply than in the venture capital a cyclical downturn, as many of the venture capital companies that eventure capital companies that eventure exposure to the venture business radically, reduction of making it alone. This is why venture capitalists believe they still have a glowing future in the US, albeit a somewhat quieter and less eventful one than that they faced 10 years ago.

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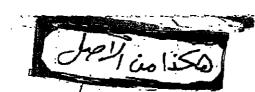
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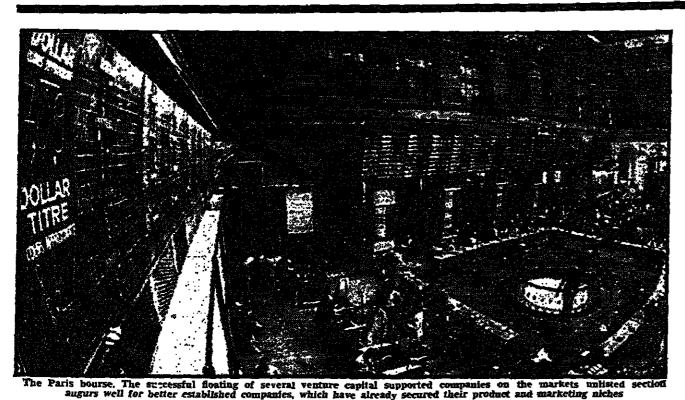


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# Funds outweigh opportunities

### France DAVID MARSH

THE French venture capital in-dustry is watching a growing volume of cash chasing a still relatively sparse number of

entrepreneurial projects.
Mr Herve Hamon, managing director of Sofinnova, France's largest and longest established venture capital group, puts the pool of finance available for French venture projects at be-tween FFr 3bn and FFr 5bn.

A growing proportion of man-agers and researchers in com-panies and laboratories around the country are becoming interested in sinking funds and ex-pertise into their own busi-nesses. Many are of the opinion of Mr Paul Siffert, head of materials physics and the state CNRS research institute in Strasbourg—who has already contributed to setting up three companies to exploit semi-conductor research—but money is no longer the number one prob-lem for people with good com-mercially-viable projects. The influx of funds, however, cannot hide the fact that France

still has to overcome some cul-tural impediments to establishing a fully fledged venture capital industry.

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Although some signs of France, after several years of growing flexibility are in evidence, large companies are tal scene in the US and Japan still not as ready as in the US.—the Gallic approach is more patients in the US.

scientific hierarchy as well as the big influx of students in areas like biotechnology, are encouraging researchets to look at ways of commercialising ideas outside the laboratory.

A time of high unemployment and economic uncertainty is hardly the right period during which to encourage professors and managers to leave comfortably paid jobs with large companies or institutions. But an increasing number of senior research staff are opting senior research staff are opting for an American-style solution of keeping one foot in the laboratory while at the same time setting up an outside business with the help of colleagues. France may be several steps behind the Anglo Saxon world in its approach to venture capital. But according to Mr Robert lattes head of venture capital.

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IDVANCES SOLIARES

or Britain to see senior staff quit to set up their own business or take over "spun off" departments.

In research institutes, narrowed promotion chances in the cash-strapped state run scientific hierarchy as well as the big influx of students in Patricof Associates.

-the Gallic approach is more positive and dynamic than that in West Germany.

This is borne out by the successful start up in Paris over the past two years of US and British groups specialising in venture capital and management buy-outs, including Citi-Patricof Associates. The French Government has

been leading the way by bring-ing in, this summer, tax concessions to improve the profitability of investors in small expanding businesses. The administration's policies to-wards giving tax breaks for individual venture capital investment has still not evolved sufficiently, according to some financiers — but there is plainly room for more steps after the general elections next March. Higher start up costs and lower immediate profitability

facing entrepreneurs in France compared with the US help

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venture capital group, which is one of France's largest institutions in this sphere, prides itself on placing its cash mainly in well established companies to lower the risk.

The emphasis on lowering risk is slightly less among regional development finance regional development nnauce banks and agencies. Some of them—for instance in the battered steel region of Lorraine—admit that their investment terms are more generous than would be the generous than would be the generous than would be the generous than work following. case if they were following purely financial criteria.

The successful floating of venture-capital ported companies on the second marche or unlisted section of the stock market in both Paris and the provinces (above all Lyons) augurs well for the better established companies, which have already secured their product and marketing

behind the Anglo Saxon world in its approach to venture capital. But according to Mr Robert Lattes, head of venture capital operations at the Paribas investment bank — which is now making a major effort to boost its activities in this field in compared with the Us need explain why the majority of inches.

France may be several steps compared with the Us need their product and matketing explain why the majority of niches.

France may be several steps compared with the Us need their product and matketing inches product and matketing highly to all development of companies which have already passed their first hurdles.

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# Call for a rethink of **objectives**

### **West Germany** JONATHAN CARR

THE Bank für Gemeinwirtschaft, one of West Germany's leading banks, had some telling remarks to make earlier this year on the country's venture capital scepe, which is fast-growing and beset by what may charitably be judged as teething troubles.

"A rethink is needed," the bank said "on whether the venture capital concept in Germany is not overloaded with national economic objectives. It went on to note that stronger economic growth, and a boost to employment could be exist. to employment, could be easier to achieve "if venture capital funds are consistently deployed to gain the highest possible profit."

That point about profit no doubt sounds wholly obvious to non-German (especially American) venture capitalists, long used to making quite high risk investments in new companies with the key aim of realising a big capital gain after a few years. For these investors, it ultitually sees without saving virtually goes without saying that if the companies thrive the economy will benefit too—but that is not the prime point of the exercise.

In Germany things have been different. The venture capital "boom" of the last three or four years emerged above all as a result of the economic reappraisal, forced on the Ger-mans by the second oil crisis and the deep recession which followed. For one thing the sharp rise in the number of bankruptcles, accompanied by soaring unemployment, under-lined the chronically weak capital base of many West German companies,

For another, the country's plunge Anto current account deficit from 1979 to 1981 sparked a fierce debate on how far Germany was losing its international competitiveness, especially in fields like microelectronics and bio-technology.

Here, too, lack of equity capital was seen as a major drawback, above all to the research and development efforts of smaller, provider to the complete of the high technology enterprises.

economic soul-searching (and partly because of it) a centreright coalition government came to power in Bonn after 13 years of centre-left rule. The new administration was naturally favourable to business and private enterprise and markedly more enthusiastic about promot ing technology than its pre-decessor had been.

It was in this context that German venture capital outfits began to sprout like mushrooms, where previously there had been almost none. True, a "Deutsche Wagnisfinanzierungs-Gesellschaft" had been jointly formed by 29 banks for venture financing back in the mid-1970s. But its structure was cumber-some, business was slow and it underwent a major restructur-ing in late 1984.

On the face of it the results



most are rejected. Naturally most are rejected. Naturally some of the schemes proposed are "hare-brained" ones wholly unworthy of support; but it seems quite a lot of others are dropped too, even though they hold promise of fast-growing (though naturally not risk-free)

Young entrepreneurs com-plain that some of the venture capital organisations prove no more helpful than the banks. Indeed one small electronics firm in Berlin reports getting started with a bank's aid, after being turned down by a venture capital concern.

Part of the reason for this is

problem born of the circumstances in which the venture capital wave emerged. It would naturally be absurd

to suggest that German venture to suggest that German venture capitalists are not interested in profits. But it is fair to ask, as the Bank für Gemeinwirtschaft does, whether the "venture" concept has not been "overloaded with national economic objectives."

A lot of the companies seem to act with a dogged circum-spection, as though aiming chiefly at performing a com-munity service, rather than with an audacity intended to maximise profits.

The latter approach, of course, can involve big losses too—but it is just that (essential) element of risktaking which some German venture capitalists evidently find hard to accept.

The upshot of a policy of caution may simply be that both profits and a contribution to capital creation, innovation and jobs will be modest.

Things may change of course -and the Government is trying to inject more dynamism into the scene through a so-called Gesetz über Unternehmensbeteiligungsgesellschaften " 🛶 a law governing companies with stakes in (small and mediumsized) enterprises." The idea is to channel individual citizens' funds through investment companies quoted on the stock exchange into small, unlisted enterprises needing venture

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Both Britain and the US (with its Small Business Investment with this kind of activity. But the Bonn draft law needs a lot of tidying up before finally being approved. Like the venture capital companies themselves, the Government gives the impression of moving rather uncertainly into unknown—and

### Young entrepreneurs complain that some of the venture capital organisations prove no more helpful than the banks. Part of the reason for this is a lack of expertise among venture capital concerns.

are impressive with around 30 venture capital outlits now in available for investment.

There is a bewildering variety of shareholders—ranging from management consultants to major companies (like Bosch and Siemens) to private commercial banks (like Deutsche, Dresdner, Commerzbank and Bayerische Vereinsbank) to the savings banks. Even the con-servative insurance sector has moved in to take a piece of the

So far so good—except that of the DM 800m available only a small share (probably not more than DM 100m) has actually been invested.

The venture capital outfits get plenty of applications from budding entrepreneurs — but

lack of expertise among the venture capital outfits them-selves which, after all, have only been going a short time.

The biggest German company in the field, Techno Venture Management (TVM) of Munich, has skilled venture capital part-ners in the US and Britain. It can also call for management and technical advice on an array of major German businesses which have put funds into its capital investment venture This is crucial, both

assessing which schemes are really promising and—later— for helping, over years, com-panies in which stakes have been taken. Not all German venture capital outfits are so strongly placed.

But beyond that there is a

# Concentration on the home front

popular.

### The Netherlands LAURA RAUN

GROWING expertise among venture capitalists and greater entrepreneurial spirit among small businessmen are keeping within Dutch borders more of the risk-bearing capital that previously went abroad, notably to the US.

The protracted slump in the The protracted stump in the US high-technology sector has not boded well for venture capital either. Nearly one-third of all Dutch venture capital is estimated to have found a home outside Holland over the years. Venture capital funds are also being aimed better as the growth slows and projects are screened more intensively. The pace of investment, however,

continues unabated. Venture capitalists in Hol-land, like their counterparts worldwide, are just becoming more demanding about the companies they fund. They are insisting that promising concerns show not only innovative ideas, but also skilled manage-ment. In fact, the single most frequently heard complaint is still that too few good corporate managers are around to absorb the funds available—the same criticism levelled around

Europe. The higher standards demanded by venture capitalists are requiring increased discipline from the young and expanding concerns seeking risk capital. Entrepreneurs must demonstrate that they have marshalled their resources to ensure effective manage-ment, well-targeted products and services, and realistic mar-

keting plans. In practice, this has meant that many of the best projects have already gained venture-capital backing while less-promising ones are still scrambling. Those ventures still seeking risk-bearing capital can find the going even tougher if word has spread that they have lost out—a very distinct possibility in a country as small as the Netherlands. But that is what survival of the fittest is all about.

The growth in venture capital funds is tapering off after surging for the past five years. Dutch funds have soared to around Fl 1.84bn, more than twice as large as anywhere else on the continent, but only one 6fth of those in the UK. The expectation is that venture capital will continue to expand

at a more modest pace, as some consolidation takes place.

Only a small fraction of those funds have been invested under the Government-guarantee scheme for Particuliere Participatiemaatschappijen (PPMs), officially recognised private venture capital companies. Under the PPM scheme, the Government promises to cover up to 50 per cent of the losses arising from a given project as long as venture capital comrequirements.

Only a meagre Fl 90.5m has been invested in 118 projects under the PPM scheme since it was established five years ago in a Government bid to stimu-late innovative industries and industrial renewal. That amount, reported on September 30. is up 22 per cent from the level at the end of 1984, while is 18 per cent higher.

Venture capitalists argued that the conditions required by the Dutch central bank to become a PPM are too restrictive and thus only 33 PrMs are registered. To qualify, venture capital companies must limit their investment in any one project to Fl 4m and invest at least 60 per cent of their initial capital rithin four years of establish-neurs originally responded to the Chamber of Commerce's The trend in the Dutc's advertisement, but they were within four years of establish-

industry is toward investing in consumer-product and services oncerns, similar to the pattern in the UK and US. Plenty of money is still going into hightechnology sectors such as com-puters, electronics and bio-engineering, but low-tech and

no-tech is clearly growing more

The diversification is illustrated by the cross section of projects presented at Holland's first venture capital market in which entrepreneurs and financiers were brought together by the Dutch-American Chamber of Commerce. The gathering last June was modelled on the popular venture capital mar-kets, pioneered by the Americans, and brought together nine young concerns, including one

each from the US and UK, and

more than 100 European and

US venture capitalists. The nine concerns included those with interests in chemi-cals, fast food, sporting goods, gathering, said seven of the nine have received or are about to receive funding, while one is still pending and one has gone bankrupt. Some 75 entrepre-

whittled down to ensure 2 manageable number of presentations and high quality, Mr Padget explained.

Dutch venture capitalists are tion in the industry but are urging fresh initiatives to stimu-late activity. Mr E. J. Blazu-boer, chairman of the Dutch Venture Capital Association, has called for improved business education to prepare students for the risks of commercial enterprise and more training courses for managers of established companies.

Nesbic, a leading Dutch ven-ture capital company, has orga-nised an information-exchange day for the seven concerns it has backed since its establishment four years ego. The aim is to provide cross-fertilisation among rapidly growing com-panies which often encounter similar problems.

Another measure to foster venture capital has been re-commended by Mr P. J. Van Ham, an accountant with Arthur Andersen in the Netherlands. car rental, clothes, medical Andersen in the Netherlands, electronics, software and CAD-He has urged that venture CAM. Mr John Padget, an Amsterdam-based venture capitalists be allowed to borrow as much as 70 per cent or 80 talist and an organiser of the Per cent against their PPM guarantee instead of the current 50 per cent ceiling.

Mr Van Ham argues that lift-ing the ceiling would improve venture capital companies profitability because the greater financial exposure would prompt better risk-spreading.

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Information

GEORGE GRAHAM

Accountants' guides. Many of the top accounting firms publish some form of guide to sources of finance. Enterprise agencies single out Peat Marwick Mitchell (a venture capital database available on Prestel) at 1

Puddle Dock, London EC4; Arthur Young (which works

UK Venture Capital Journal.

panies funded by venture capi-tal, and publishes a Guide to European Venture Capital Sources (\$125). Every two months, it contains articles and

# Alternative exit route gains in importance

NO VENTURE capitalist will want to invest in an unquoted company unless he can see a way of selling his shares later, or "exiting" as industry jargon puts it.

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However, not every venture-backed company is able or wants to achieve a stock market flotation. Apart from buying back its own shares from the venture capital investors—which is rare—the only alternative is to sell out to a larger group.
Acquisitions have consistently

exit route in the US, where the number of venture-backed flotations has only exceeded the number of takeovers twice in recent years. That was in 1981 and 1983, when the new icenses and 1983, when the new issues was exceptionally

The signs are that sales of venture-backed groups to large companies are now becoming increasingly important in Britain. Venture Economics, the London-based research con-sultancy, has identified 46 trade sales of companies with major venture capital shareholders between 1982 and mid-1985, as against 65 public share issues of similar concerns over the

same period. And as the accompanying chart shows, the number of trade sales in the British venture capital market is beginning to overhaul the number of venture-backed flotations, even if flotations hold the lead in

While the glamorous Unlisted Securities Market can take much credit for galvanising the British venture capital industry, this less visible means for investors to realise their gains

Trade Sales WILLIAM DAWKINS

is of almost equal importance. could well become more so if the present favourable stock market conditions should evaporate, making public share issues harder to achieve.

Mr Paul Whitney, managing director of CIN Industrial Investments, the venture capital arm of the National Coal Board pension fund, believes trade sales of venture-backed companies will continue to increase.

getting a listing is not the solu-tion to everything," says Mr Whitney, who has seen two of his portfolio companies go to corporate purchasers this year. "It has a lot to do with the increasing majority of venture capital portfolios. As the number of venture capital deals watering maturity increases, so will the number of people con-sidering trade sales as an option."

Investors can often get a better price in a trade sale because corporate buyers tend to perceive benefits from merging such ventures with their own activities that would be lost on public shareholders, And it may not look attractive to the management to go to the market if they would rather sell to someone who will enable that business to expand

rapidly," says Mr Whitney.

A case in point is Negretti, the technical instrumentation manufacturer, which was valued

at £16.1m when it was sold to Meggitt, the machine tools group, in July. CIN was part

of a consortium led by Thompson Clive which bought the company for just \$1.5m in 1981.

"For something like Negretti with a high electronics content, going to the market this year would not have been a good idea," says Mr Whitney. Mr Nigel McCorkell, Meggitt's

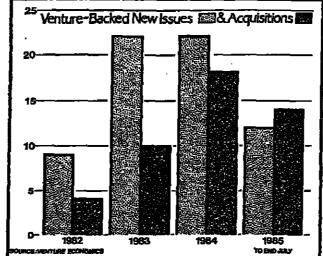
finance director, freely admits that Negretti might have been a cheaper buy had it been listed because its private venture capital backers had a clearer idea of its value than would have been the case with per-haps less informed public

But it was an advantage to acquire a company with venture capital backers which had helped to improve the company's management. "When Thompson Clive acquired Negretti, it had a lot of prob-lems. By sorting out many of those problems, they made the company more attractive to us," says Mr McCorkell.

Mr Andrew Davison, manag-ing director of County Bank Development Capital, has seen five of his portfolio companies go to corporate buyers this year.

"You tend to get a better price when you are selling control rather than just a minority stake to the stock market," he

In some cases, a trade sale can be better for a small comcan be better for a small com-pany's development than a public flotation. Mr Geoff Taylor, head of 3i Ventures, the high technology arm of Investors in Industry (3i), says: "We like to see acquisitions when the acquiring company can bring something important



thing to do if you are faced with a management team that cannot cut the mustard. We do start businesses where we know from the very beginning — and so do the founders — that the final chapter is going to be a trade sale."

That does not mean, he adds,

that all trade sales are a sign of weak management on the part of the company changing hands. It may be that the venture has a narrow range of products or finds it hard to break into new markets on its

Both of these were the case with Sodastream, the producer of systems for making fizzy drinks at home — a Foreign and Colonial Enterprise Trust investment — which was taken over in May by Cadbury Schweppes for £26.2m after suffering heavy losses from developing new markets in the US and West Germany. Cadbury is to continue developing Sodo is to continue developing Soda-stream's US activities. "This is an opportunity to grow in the US without running head-on with the major companies," said Mr Dominic Cadbury, the group's chief executive, at the time of the deal.

Fine Organics, a Middles-brough-based maker of organic Fine Organics, a Middles- to have woken up to the busi-brough-based maker of organic ness development opportunities chemicals for drug companies, that such acquisitions can offer."

to the party like extra market-ing muscle. It is also a construc-constructive aspects of a trade was planning to raise £2m from

was planning to raise f2m from its venture capital backers to finance a new factory.

Instead, Fine Organics sold three-quarters of its shares to Laporte Industries, the UK chemicals group, which then invested almost £5m in the project demonstrating a read of ject, demonstrating a speed of response and largesse beyond even the most adventurous venture capitalist

For Laporte, Fine Organics formed part of a diversification to reduce its exposure to a mature bulk chemicals market in favour of higher growth areas. Clearly, both companies benefited a great deal from the

ecquisition. Trade sales of that nature are, however, still relatively rare. Venture Economics argues that the buoyant stock market of the past two years has meant that insufficient attention has been paid to developing links between the venture capital industry and large companies to make the latter aware of possible takeover candidates in venture capital portfolios.

It points out in a report on the phenomenon: "Major UK

corporations do not yet appear

publications, but the informa-tion has to be treated with caution. The venture capital industry prefers to operate through the grapevine, and unwary use of a venture capital directory can be counter-If you fire off a business plan Wales, it is available at £5 for each part from Finance for Business Publishing, 6 Hanover Street, London W1.

COMPANIES seeking finance

and potential investors can both choose from a wide range of

to every bank, venture capital company and fund listed in the company and fund listed in the directory, your request for funds may get a dusty response. Most sources of finance prefer to act alone, bringing in their own partners if needed, and they will not be interested when they learn that you have approached a dozen rival instinutions.

With caution, however, there is much to be gleaned from the guides and magazines available. These are some of the main sources of information: guides and magazines available.

These are some of the main sources of information:

Money for Business. The Bank of England's book, now in its fifth edition, contains an introduction to business finance and advice on what types of financing to use, as well as names and addresses. It costs £3 from Industrial Finance Division, Bank of England, London

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Official Sources of Finance and Aid for Industry in the UK.
This NatWest guide lists national and regional development agencies and gives details panies funded by venture capital association on comment agencies and gives details panies funded by venture capital association. of grants and aid available from government, £5.50 from National Westminster Bank, 41 Lothbury,

d, London SW9 7AG. ● Venture UK. Monthly, £22 a year from Redwood Publishing, 68 Long Acre, London WC2E Publications and Sources of

 Business Success. Formerly What Finance, published monthly at £18.60 for 15 issues by Financial Magazines, 26 Queensway, London W2 3RX.

Venture Capital Report. Monthly listings of investment opportunities, mostly start-up projects or companies in their early stages. It includes a business search and insolvency supplement listing receiverships and auctions; £180 from Venture Capital Report, 20 Baldwin Street, Bristol BS1 1SE.

Marriage Bureau Bulletin, Published by the London Enter-prise Agency, it lists companies seeking finance, usually in the £5,000 to £50,000 range. Free monthly, but you do not get names and addresses unless you pay a £30-a-year subscription. London Enterprise Agency, 69 Cannon Street, London EC4.

The Outline Guide to Business Expansion Funds Available to Investors. Published every two months, with updates, it is the most comprehensive guide to BES funds, their managers and their invest-ment records: Six pounds per issue from Investment and Tax Planning Services, 7 Regal Lane, London NW1 7TH.

For investors wanting to monitor their unlisted and BES investments, there is a variety
of magazines, some of them
close to tip sheets.

The USM/OTC Review. ● Finance for Business. Part 1, statistics about the sector and Government Assistance, was reports on the activities of venpublished in July, while Part 2, covering private sector year from Venture Economics, finance, came out in October. Newsletter updates will start next year. Published jointly with the Institute of Chartered Accountants in England and Seymour Press, 334 Brixton The USM/OTC Review. Monthly, £95 a year from 3 Fleet Street, London EC4. The OTC Magazine. Monthly, £95 a year from Private Investor Publications. 1-3 Berry Street, London EC1V 0.AA.

# European markets are a step in right direction

Secondary Markets TERRY GARRETT

TO BE a successful venture investments just like any other investor. That must be one of the least profound comments in this survey, but it is important because, unlike in-vestors in the stock markets, picking the right investment is only part of the way to success.

only part of the way to success. For the venture capitalist is locking his money into companies that he thinks will become good investments without the luxury of an existing route to get his money out when the time is right.

And this is where the development of secondary markets outside of main board quotations has played such a vital role in the expansion of venture capital throughout Europe in recent years.

In the US, where the venture capital sector developed some years ahead of its European counterparts, investors could see the existing over-the-counter market as the easy way to capitalise on their original investments. With the US investors' enthusiasm for growth the counter the connectualities must stocks the opportunities must have seemed brilliantly clear to have seemed brilliantly clear to venture capitalists as the elec-tronics boom took off. If you backed a young computer com-pany there was a good chance of making a great deal of money when it came to the OTC in a few years time.

money when it came to the UTG in a few years time.

Recent experience has shown that vision to be a rather limited one. A change to a more cautious mood by OTG investors has left many venture. investors has left many venture capitalists sitting on their in-vestments with the added bur-den of the more successful ones coming back for second round

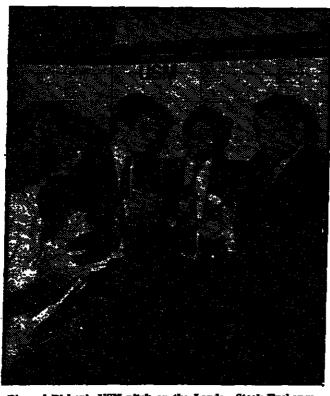
den of the more successful pace coming back for second round figancing.

Yet in Europe it was not a case of "was the second line market receptive or otherwise to new issue "?—there were no second line markets. The UK finally led the way with the Unlisted Securities Market five years ago, a market where the conditions of entry were less onerous and cheaper, than a full quotation, giving many smaller companies a chance to find external financing—and, of course, an obvious route for venture capitalists to cash in their chips. For investors, the USM has understandably been a mixture of the good, the bad and the of the good, the bad and the office of the good the go

companies now there with a combined market capitalisation of over £3ibn shows that the USM, still under the watchful eye of the Stock Exchange, has

done its job.

Indeed, in keeping with London's international flavour, the
USM has attracted young comdon's international flavour, the USM has attracted young companies from overseas as well as from the domestic scene. Many from the domestic scene. Many from the domestic scene from the of them have come from the USM stock. In London a USM offic energies is considerably US where the cost of even an



Bisgood Bishop's USM pitch on the London Stock Exchange

more than a USM quote in London. The Marche. Deuxieme

France's secondary market, has been around for less than three years, having been established by the French bourse—with a little push from the Government If the push from the Government
—in February 1983. Arguably
the Deuxieme Marche was
moulded along the lines of the
London USM, which in turn
reflected much of the US OTC
experience, although the French
went one stage further in relaxing the rules of their market.

The costs of offering were

The costs of offering were dramatically dropped with a cut of around two-thirds and, again just like the USM, the minimum amount of capital that had to be issued to the public was also shaved to 10 per cent.

sponsoring broker, or banker, has to guarantee a quote for stock at set times. That must stock at set times. That must surely be a bit of a nightmare; given the thin trading and the disclosure rules which limits financial reporting to once a year. London sponsors would not be happy with such a

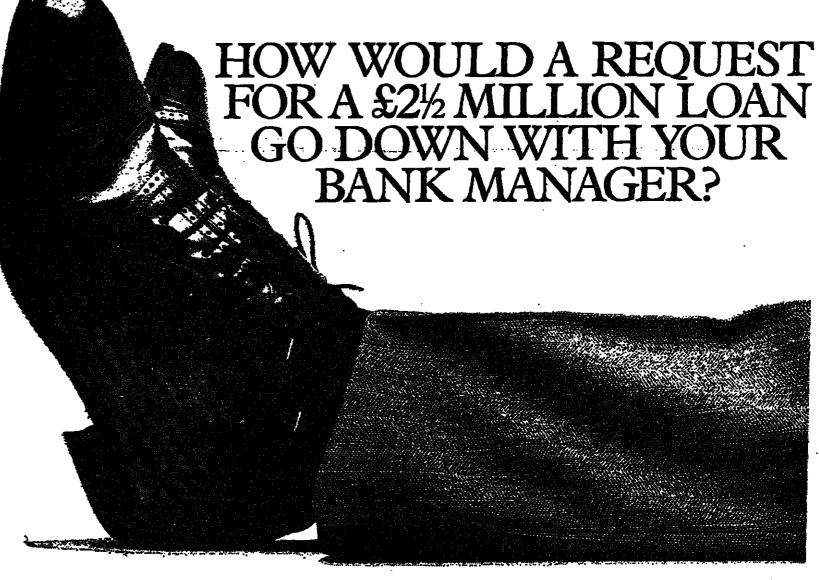
quote is often seen as a way of attracting fresh capital to a growing business, while in France entrants are usually mature family dominated operations with steady records and little need for fresh equity.

Surprisingly perhaps, there is only one other significant secondary market in Europe and that is the Parallel Market in Amsterdam, It is the smallest and youngest of the European trio, started in early 1984 under the aggis of the Dutch Stock Exchange. In some respects it is closer to London's USM than the French example.

Reporting constraints are tougher than the Deuxime Marche with audited accounts for the last two years required for a prospectus and—where appropriate—a five-year history. As in London, the Amsterdam Stock Exchange vets all the

ocumentation.
The Dutch also want to encourage foreign entrants, unlike France, although with earnings multiples well into single figures a small non-Dutch businessman looking for a secondary market is not going to see his venture capitalist backers guiding the way to Amsterdam in preference to

The three European markets are nowhere near the size of the US OTC but they are a step in the right direction. Venture capitalists can at least see an exit door in the distance when they make their initial investments—though whether the door slams shut in the face of their particular fledgling is something that will be ulti-mately decided by the investing public—or at least sponsors with reputations to protect.



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# Venture Capital 6

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# The industry's high flyer

### Management **Buy-outs** WILLIAM DAWKINS

LARGE MANAGEMENT buyouts are turning out to be the taste of the year for the venture capital industry in 1985.

Investors are pledging massive sums of money to back buyouts of a size and complexity which would have never even been contemplated a few years ago. Each new deal seems to break a record as the managers of ever larger and more established companies decide to break away from their owners.

One result is that the venture capital industry is being drawn increasingly into an area which has more to do with corporate finance than with fostering the development of small

Around £715m was being spent on management buy-outs in the first 10 months of this year, up from just £160m for the whole of 1984, according to accountants Peat Marwick. Some industry estimates sug-gest that the annual total could

approach £1bn by the end of 1985, rising to £1.5bn or £2bn annually during the next three years. Others, however, express some scepticism over whether there can really be that many large deals waiting to be

Nevertheless, several venture

capitalists have been husy in recent months mobilising huge funds aimed at management teams with an eye to independ-ence. Four specialist buy-out funds have been launched since July, making available between them at least £432m in equity. They include the £250m buyout pool managed by Electra Investment Trust with Candover Investments, a £100m fund from Citicorp Venture Capital, £72m from J. Henry Schroder Wage and a £10m to £50m fund cur-rently being raised by Granville & Co, the small investment bank. There can be little doubt

that others are waiting to join the buy-out bandwagon. The actual purchasing power those funds represent is far wise restricted I greater than the basic figures finance market. greater than the basic lightes make market suggest. If the companies they
attract borrow three times as meanwhile, have been building much as they raise in equity- up

the norm for this year's larger deals—then those four funds alone speak for about £1.3bn.

That does not include the large sums available from Investors in Industry (3i), which has invested £140m in some 500 management buy-outs over the past five years and normally reckons to cover at least half of the buy-outs which take place in the UK. Nor does it include the 40 or so smaller specialist institutions which have sprung up in recent years

to cater for this increasingly popular phenomenon. Many of those smaller funds were established to support a buy-out market which is now eclipsed—by something far larger and fundamentally different in character. Typical deals in recent years have con-sisted of medium-sized family owned companies selling out to their own management or dis-posing of unwanted subsidiaries.

Now they are tending to take place for any number of tactical reasons, and even in response to a contested takeover bid. The first British example of this US-created technique was the £55.8m buy-out of Haden, the engineering group, completed in June to repuise the unwanted attentions of Trafalgar House.

That was the largest ever British buy-out at the time, but has since been topped by the 190m takeover of the Mallinson-Denny timber group and the fil73m purchase of Mardon Packaging (though the latter deal originated in Canada).

The growth in the number of management buy-outs is chiefly due to a feeling by many large corporations that now is the time to pull out of peripheral activities and concentrate on core businesses.
A number of other forces are

also at work. An array of in-creasingly sophisticated finan-cing techniques being developed by the City has led more managers to believe that larger

buy-outs are possible.
US commercial banks in particular see an involvement in UK buy-outs—a sector in which they are renowned for the special skills they have developed at home—as an important way to get access to an otherwise restricted British corporate

# MANAGEMENT BUY-OUTS TAKE OFF Value Number

their portfolios. During that process, they have seen how some of the smaller buy-outs of some of the smaller buy-outs or recent years can produce impressive returns for relatively slight risks. They now want to repeat those gains on a larger scale. Returns tend to be quick because buy-outs frequently involve well developed companies with experienced management which can soon be floated on the stock market.

floated on the stock market.

It is therefore no accident that most of the recent batch of buy-outs have told their shareholders that they too will be joining the stock market in the

next few years. Underlying the euphoria, however, is a sense of anxiety in some quarters about the possible risks associated with the heavy borrowing that tends to go with large buy-outs. Management buy-outs are often only possible because the purchaser can put forward the assets of the business he hopes to buy as collateral against which to borrow the purchase

quently—but not always— involve cash generative busi-nesses in mature industries which have over the years accumulated large assets that can be used to guarantee large loans. Mallinson-Denny, for instance, has £62.5m of debt backed up by just £22.5m of equity, while Haden's £60m borrowings stand at three times its £20m chara capital

its £20m share capital.

High levels of gearing have always been a feature of management buy-outs. The difference is that the sums at risk have become much larger. Last year, for example, the average UK buy out took place at a price between £800,000 and £1.4m. At the time of writing, there had been at least 13 buyouts worth more than £10m the unquoted portions of

each since January.
It was partly with buy-outs in mind that Mr David Walker. a director of the Bank of England, warned recently that tengiand, warned recently that he would not like to see the corporate sector's gearing rise to US levels. There it is not unusual to see buy-outs ending up with debts nine or 10 times more than shareholders' funds. There was a risk, warned Mr Walker, that a company saddled with high debts would find "its capability to make long-term commitments reduced." That anxiety apart, several venture capitalists are dubious over whether the latest buy-out funds will really attract the volume of deals they are hoping for. Dr Neil Cross, assistant

Bus

general manager certainly sceptical. money is already available. The numbers that we have seen so far have not come near to that market potential," he says. The funds argue that the very fact of their existence will prompt more British managers to think twice about their future. "Awareness of this particular form of financing technique has grown considerably," says Mr Charles Gonszor, a director of Citicorp Venture Capital. "We have seen the

first signs that the market is Even so, the current spate of buy-out funds are taking a shot at a market which none of them can measure precisely. But if they do attract fewer deals than they hoped for, they will on the face of it have little to lose. It is not as if the cash is waiting on deposit; it has simply been earmarked to be drawn down when needed.

All the same, a low level of applicants would leave plenty

# The main deals of the past five years

Year		Purchase price (£m)	Sector	Year		urchase orice (£m)	Sector
1981	Ansafone	14	telephone answering machines		Simplex Wordplex	28 28	electrical equipment office automation
1982	Stanley Gibbons Victablic Stone International First Leisure	9 14 18 44	stamp dealer mechanical engineering railway air conditioning leisure	1985	Bahco Bison Willis Faber Alexander Howden	9 10 10 12	hand tools civil engineering insurance underwriting insurance underwriting
1983	Natl, Freight Consort SPP Group English and Amer. In Hugin	9	transport and storage fluid engineering insurance electronic point of sale and cash registers		Westbury Homes *Vosper Thornycroft Wades St Regis *Molins	12 19 19 32 50	housebuilding shipbuilding furniture retailing paper and packaging engineering
1984	John Collier Timpson Shoes Richard Shops Evans Halshaw DRI Paragon Group	30 40 50 9 14 17	men'swear shoe retailing fashion chain motor dealer computer peripherals industrial conglomerate		Haden Reed Building Product Mecca Leisure Mallinson-Denny Mardon Packaging English Estates	56 45 61 95 90 173	engrg. and construction building products leisure timber products packaging property development
							• Uncompleted deals

# Much thought, little action

### Corporate **Venturing** IAN HAMILTON-FAZEY

THE state of corporate ventur-

ing in Britain is summed up by Mr Tony Lorenz, managing director of Equity Capital for Industry. He says: "There is an awful lot of thinking going on but there is very little evi-dence of anything happening

There are a few examples— notably ICI's agricultural divi-sion and Pilkington Brothers sion and Filkington Brothers— and several large British com-panies are involved in corporate venturing in the US, where the British style of making corpor-ate decisions through commit-tees has less of a grip than at home.

In corporate venturing a large company usually takes an equity stake in a smaller comor a joint venture. Normally, there is some compatibility between the new venture and the products, services or markets which the investor hopes, eventually, to move into. In the US the process has been used to give big companies a "window" on new technology, to help build up new businesses for acquisition, or to use the entrepreneurial flair of small business to "spin out" technology from "clay-footed" giant corporations giant corporations.

ICI's agricultural division at Middlesbrough has at least ensured that examples of how the dynamic works are now evident in Britain. Significantly, the key figure in the ICI management is Dr David Fyfe, a corrosion engineer who went to work in the US more than 10 years ago, returning to Britain in 1983 to head the division's

ing develop into "strategic partnering" between big business, small business and the venture capital industry. "Partnering "involves averbangs of technology, the lending-out of gradable colostomy bags was big company marketing expertise and large companies getting their innovative products from small ones.

The problem at ICI's agriculmature chemicals businesses that offered little prospect for expansion. The division decided it needed to develop new products. It set itself the tarproducts. It set itself the target of making a quarter of its profits from them by 1995.

considered putting money into a managed venture capital fund but decided against this, because there was no guarantee of projects being compatible with the division's core businesses. It also had to avoid treading on the toes of other ICI divisions— a fund that backed something that ended up more suited to say, ICI's plastics division would not be much use.

Direct corporate venturing seemed the way out of another problem for all its expertise in big business, ICI has very little in setting up and running new, small businesses. People in big business think differently. Dr Fyfe says. They over-protect ideas and set up systems that create overheads and negative cash flow.

So ICI set up a joint venture with an entrepreneurial com-pany called Marlborough Tees-Management, which had a good record in managing small chemicals projects. ICI took a 75 per cent stake and provided their returns .senior management with mar-"We took a piece of tech-

nology which had lain in our

The joint venture company thought small and adopted a marketing strategy, finding pockets of demand and making pockets of demand and pockets of demand and pockets of demand and making pockets of demand and pockets of dem

A big company would probably have searched in vain for mass markets. The small one, thinking small, concentrated on finding a lot of small markets. Apart from owning the major stake. ICI makes the plastic. The joint venture has orbitated. The joint venture has achieved positive cash flow in only its second year.

profits from them by 1995. In another "spin-out" with Dr Fyfe says that the division MTM, this time in a 50-50 ven-MTM, this time in a 50-50 venture, ICI agricultural division is producing plastic to make 750-kg fertiliser bags. These fit in with increasing mechanisation in farming and save the labour involved in slitting and handling ten 75-kg bags to fill spreading equipment. The market is too small to be worth the while of ICI's plastics division, but is likely to be profitsion, but is likely to be profitable for the agricultural divi-

Other projects and approaches are under way and producing returns, a vital point in proving the value of corporate venturing to the divisional board.

Mr Lorenz says splits over corporate venturing usually develop on main boards between technical and financial directors, with the money men against. He thinks this may help explain why in the US—where marketing men do better than account-ants in getting top jobs—com-panies are more ready to take the risks involved and wait for

A similar point is made by Mr. You are interested and have Peter Shepherdson, general money to spend."

manager of Pilkington New Both he and Mr Lorenz know Opportunities, who thinks that

days there is more pressure for faster returns but the point has not been lost. It may take seven to 12 years for some proseven to 12 years for some pro-jects to start paying back but if they lead to durable products with markets that will last into the 21st century, the wait is likely to be worthwhile.

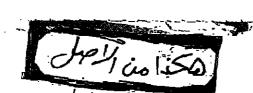
Pilkington has developed what Mr Shepherdson calls "a portfolio of approaches," invest-ing directly in some cases, acquiring companies in others, setting up small, remote outposts in others and also using venture capital funds as partners.

Many of the advances backed so far can already be found so lar can already be found earning profits in the group's electro-optical division. Established products include submarine periscopes, head-up instrument displays for pilots, night vision systems, tank laser sights and fibre-optic endoscopes for medical use scopes for medical use.

Areas being developed include medical laser systems, power measuring instruments, servo control systems, and applica-tions of fibre optics technology that include perimeter fences, data transmission and solar

Mr Shepherdson would like to spend £2m a year on his portfolio of approaches but is only allowed £500,000, with a step-by-step approach to each investment. He says: "I don't think you can plan corporate venturing Most advances happen by serendipity. You have to go about with your eyes open —and with people knowing that

Both he and Mr Lorenz know that it is enough to give the planning co-ordination departs research department for 10 the glass giant's long struggle to years and which had been perfect its float glass process the perfect its float glass process mares, which is probably why struggle to atmosphere, which according to decided to give it one last expect instant returns from high the first one having such a struggle in making the chance," Dr Fyle says. The idea to the glass giant's long struggle to average financial director night-years and which had been perfect its float glass process of mares, which is probably why so many large companies are having such a struggle in making the give the glass giant's long struggle to average financial director night-years. having such a struggle in mak-ing up their minds.



# Concern over effectiveness

### **Business** Expansion Scheme

WILLIAM DAWKINS THE GOVERNMENT'S Business Expansion Scheme is an example of how even the best

intentions can sometimes lead

to flawed results. While the scheme can take much credit for stimulating private investors interest in venture capital, it has also succeeded in channeling many millions of pounds into sectors which its creators never intended to assist,

The Government is understandably concerned about the effectiveness of the scheme. At time of writing, it was shortly due to receive a report commissioned from accountants Peat Marwick examining to what extent the scheme proadditional finance for or merely Other kinds

Established in March 1983 as a replacement for the highly restrictive Business Start-Up Scheme, the BES proved an instant hit with private hit with private About 20,000 individuals took advantage of the tax incentives it offered to invest £105m in around 715 companies—half of them new ventures-in 1983-84, according

to the Treasury. That compares with the mere the start-up scheme in the whole of the previous two years. More official figures for total BES investment are not available, though it looks as if the 1984-85 total will at least equal

At first, it looked as if the BES was succeeding admirably in its brief to attract equity to small high risk ventures that would have found it hard to obtain finance on normal terms. By permitting individuals to of business offset the cost of investing in have any unquoted companies against their top marginal rate of tax. it effectively allowed 50 per cent knows, bad investments will taxpayers to buy £100 worth usualy collapse faster than good

year, a loophole emerged in the shape of a number of assetbased farming ventures, which pulled in £17m before being thrown out of the scheme in the 1984 Budget. It was inevitable that another loophole should crop up the following year. This time it was property development, which got away with almost £50m before being

banned in the last Budget. The flow of new issues which are outside the spirit of the scheme but within its rules is still increasing. The latest batch includes a colourful array of fine art dealers, wine traders, country hotels and racehorse breeders. They are attractive to investors because their assets are felt to be safe, yet it is debatable whether they will be able to offer the same performance as the more successful among the non-asset backed

All this has had the effect of making it increasingly difficult for BES funds to attract investors' attention. The funds have won praise from the Government for tending to invest more in line with its intentions for the scheme than many of the direct issues, yet they have come up against a number of important obstacles,

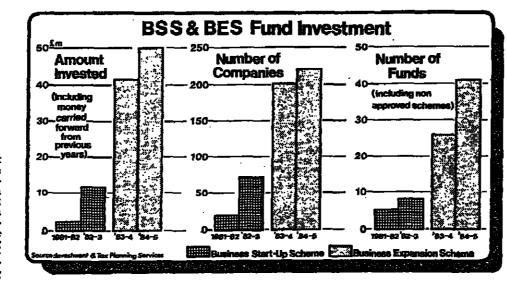
"Public attention has tended to concentrate on direct investments and the funds are seen as a little old hat," says Mr Paul Brooks, director of Char-terhouse Development, His £4.6m fund has been one of the very few so far this year—along with Lazard's £2.5m vehicle—to raise anything like its maximum

subscription target.

By the end of October, 13 BES funds had raised a com-bined total of £18.3m, according to the BES Magazine. That compares poorly with the £31.8m pulled in by 25 funds in the corresponding period of last

One of the funds' chief marketing problems is that while their first failures are becoming apparent—five of the 220 companies backed by BES funds in 1984-85 have gone out of business—they do not yet have any startling success stories to their credit.

As any venture capitalist knows, bad investments will



to get investors to share this philosophical attitude. "We are in the doldrums between the start of the BES and the first fruits of the scheme becoming evident," says
Mr Richard Martin, a director
of Hodgson Martin Ventures,
managers of the First Abbey
BES Fund, which raised only £570.000 towards its top target

The squeeze on fund raising has, however, been felt unevenly through the industry. we'l established management groups, typically offshoots of merchant banks like Lazard, have found it far easier to raise money than small outfits like Hodgson Martin, "But we still think we can give a better deal to the smaller companies than the merchant bank funds," says Mr Martin. "With our smaller overheads, we can charge less.'

BES management groups have also suffered from the fact that investors cannot claim full tax relief until the fund into which they have put their money is fully invested. If a fund is only partly invested by the end of the tax year, relief is scaled down proportionately, while direct issues can offer tax relief just as soon as they have got the cash, or in the case of start-ups, after four months'

This makes life complicated for fund managers because many BES investors prefer to wait until their tax positions are clear towards the end of the year before deciding whether it is worth their while to subscribe to the scheme. Funds then face a hectic

rush to place that money with small companies before the tax year expires. It is no accident that almost 75 per cent of the £42.3m invested by BES funds in 1984-85 went out between January 1 and April 5, the end of the tax year, according to so unless the client company one industry estimate. Nearly has access to fresh money later

25 per cent of the total—£10.6m —was invested in the last five

Oulte apart from putting a horrendous strain on fund managers, this last minute rush increases the risk of making ill-considered investments.

Moreover, some fund managers report that potential BES com-panies are deliberately waiting until the end of the tax year before approaching funds for investment because they know that they will be able to drive a harder bargain with managers desperate to place their money before April 5.

"If the Government was interested in supporting this industry, it would allow tax relief to be available to fund holders once an investment has been made in the fund," says Mr Norman Baldock, managing

director of Gresham Trust. Gresham's latest BES fund recently had to extend its sub-scription period because it had raised less than its minimum target of £1m by the original closing date — a further sign that this year's funds are facing

But despite repeated lobby ing from Gresham and at least 23 other leading BES fund management groups, the Treasury has so far turned an unsympathetic ear to funds' pleas for more relaxed tax

One consequence of the pressure on BES funds to invest cash by the year end is that they end up with little or no spare cash to supply the second or third rounds of finance that young growing companies will inevitably need. Mr Tony Shoebridge, fund manager for Baronsmead Associates, which recently raised just £780,000 towards its maximum £1.75m target, explains: "The BES provides a single shot equity investment.

on, it could experience serious difficulties in raising a second round of finance."

One way round the problem is to bring in later rounds of equity from a conventional venture capital fund associated with the BES management group. Baronsmead, for instance, runs a £23m institutional venture capital fund as well as three BES vehicles, a pattern followed by many of its competitors.

BES fund shareholders, how ever, could well find that their equity stakes are diluted if their funds have to issue extra equity to institutional share-holders. The value of their holdings would be the same, but the fund's earnings would have to be distributed around a larger number of share-holders. Further rounds of fund-raising could also have the effect of increasing the time limit before which BES inves-tors are not permitted to sell

their shares, BES tax relief only applies if investors keep their shares for five years. The fifth year of the scheme — beginning in April 1987 — is therefore likely to see a flood of BES shares looking for buyers. It is unclear how every RES companies will how easy BES companies will find it to make a market in their shares.

A number of BES groups are already quoted on the over-the-counter markets, but not on the Unlisted Securities Market. Tax relief is withdrawn if a BES company gets a USM flotation within three years.

Several venture capital groups, including Granville and Co and Electra, the investment trust group, are planning to promote more interest in the from

# Feel for local projects

REGIONAL CHAUVINISM is County Council Superannuation chester-based management conflourishing in the north of Fund, Lancashire Enterprises sultants, Collinson Grant, which company of it. He is managing director of the Northern missioners, Royal Life and Sanling Charges very small director of the Northern Investors Company, which operates venture capital funding in the North-East and from offices in

Newcastle. He has £5m of backing from a mixture of 18 private sector companies, 13 pension funds two banks, one merchant bank and various charities, trusts or other backers, who hold shares in the company. The money is for regional use only, and disbursable in sums from £25,000 upwards.

Mr Denny is chiding of Britain's London-based venture capital funds and companies. He believes they lack the local feel necessary to evaluate many projects, especially the smaller

He says that south-eastern lifestyles have helped raise managerial unit costs so much that national funds cannot afford to invest less than 5200,000—returns on smaller sums are not big enough to earn the management's keep.

The views of Alan Payne another prominent northern venture capitalist are put more stantially different. He runs
Britain's only other significant
regional fund, covering Lancashire, Merseyside and, from the
next few weeks onwards,
Cheshire. His fund aims to plug diplomatically but are not subthe "equity gap"—the virtual impossibility of raising venture capital in the £20,000 to £200,000

capital in the £20,000 to £20,000 range from "national" funds.

The origins of both funds owe much to the activities of one of Britain's more enthusiatic regional chauvinists. Mr
Arthur Ward of the National Enterprise Board, which was later remodelled as the British Technology Group (BTG).

In 1982 he got the BTG to ut money into an experimenput money into an experimen-tal venture capital fund on Merseyside. Meanwhile, the BTG was itself the major source of equity funding for small, expanding companies in the North-East. But last year the Government stopped the BTG playing such a role, on the grounds that it was the private sector's job, not something for

grounds that it was the private sector's job, not something for a government agency.

The BTG was forced to pull out of the regional fund, which its manager. Mr Payne, reconstituted as the Lancashire and Merseyside Investment Fund (LMIF), securing £1.35m of backing from Lancashire Lancashire through a link to the Man-

Royal Insurance.

In the North-East there was no such vehicle and Mr Ward persuaded Mr Denny, who had built up a group of manufac-turing companies, to supervise BTG's disengagement from its local investments, while at the same time setting up Northern Investors to fill the BTG gap, Mr Denny has now sold off his group to work full time at regional venture capitalism.

Mr Payne and Mr Denny have different approaches but, basically, common goals. Each sees the fund he manages as an aid to regional development that has been home-grown. Each has developed mechanisms to pare down overheads so that returns will be generated from small investments that would otherwise fall into the equity gap. By the very nature of

### Regional Funds IAN HAMILTON-FAZEY

things, each probably get much closer than national fund man-agers can to their clients. Although the amounts LMIF has at present to call on are smaller than those of Northern

Investors, Mr Payne says that £5m is the medium-term target. Cheshire County Council's Superannuation Fund is bringing £500,000 with it and negotwo private sector pension funds which are also expected to put up substantial sums. This will bring the fund to over £2m, and it is changing its

name again to reflect Cheshire's involvement. This time the name should stick, since it will be the North West Regional Fund. It will also be adding a third office to its existing ones. in Preston and Liverpool, prob-

ably at Warrington.

Mr Payne used to operate with an upper limit of £100,000 but this has been doubled, partly to reflect the increasing size of the "equity gap" and partly because the fund is going to have more money available. Mr Payne keeps down overheads partly through running a tight ship—he has two invest-ment managers, a secondee from Kidson's, the accountants, and one secretary — and partly

Sapling charges very small share in the eventual profits of the fund, which provides an incentive to make things work. Mr Payne says that this behoves the fund to help clients with management technique and advice if they need it, and he has it on tap at Collison Grant, which also provides consultants at special rates to help with appraisals.

An intriguing aspect to the fund is that it has compulsory buy-back clauses in its agreebuy-back clauses in its agreements. The client can buy back equity from four years onwards and at eight years the fund can force the sale. This is how it realises its profits: national funds recoup when the client goes public but smaller companies may never get that far.

At Northern Investors, Mr Denny or rates with no upper limit and will compete directly with national funds for high value projects that are in his area. Northern Investors is not just a fund, but a company which makes profits from investments, bank interest, and fees. In its first year, which ended last September, it made a £279.000 profit and paid £74.000 in dividends to its 60 share-

It kept its overheads down to £160,000, operating with five staff, two of them secre-taries, and secondees from and Spicer Pegler. The company dicates investments to particu-lar shareholders, acting as honest broker as well as invest-ing directly. Mr Denny admits that this may make buy-back of equity by the client less but it would not be impossible.

Where both regional funds have to work hard is in select-ing likely investments. Both have been overwhelmed with applicants, many of them "duds" trawled round every-where else first. Mr Payne puts and Mr Denny says his is 2.5

Each has five projects-ranging from a canapes manufac-turer and a company making sporting trophies to a shipping line and a corporate communications consultancy specialising in video techniques. Each fund expects to help finance up to next year.

# FOR EXPANSI

The Business Expansion Scheme was set up to provide new and developing businesses with funds for expansion. And in many cases it has done just that.

A number of companies, however, have found the scheme a source not of finance, but of frustration.

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funds (in the first year alone, the scheme channelled over £105 million pounds into some 605 companies).

But because, generous though the BES may be with funds for expansion, it's rather more miserly with information on how to obtain those funds.

There is no formal clearance procedure in example, and yet the investor will want to be sure of his BES status.

This makes it hard to know what financial and legal considerations to bear

All of this makes the case for seeking professional advice a very strong one.

Deloittes have considerable experience of the BES, having helped many companies expand successfully under it.

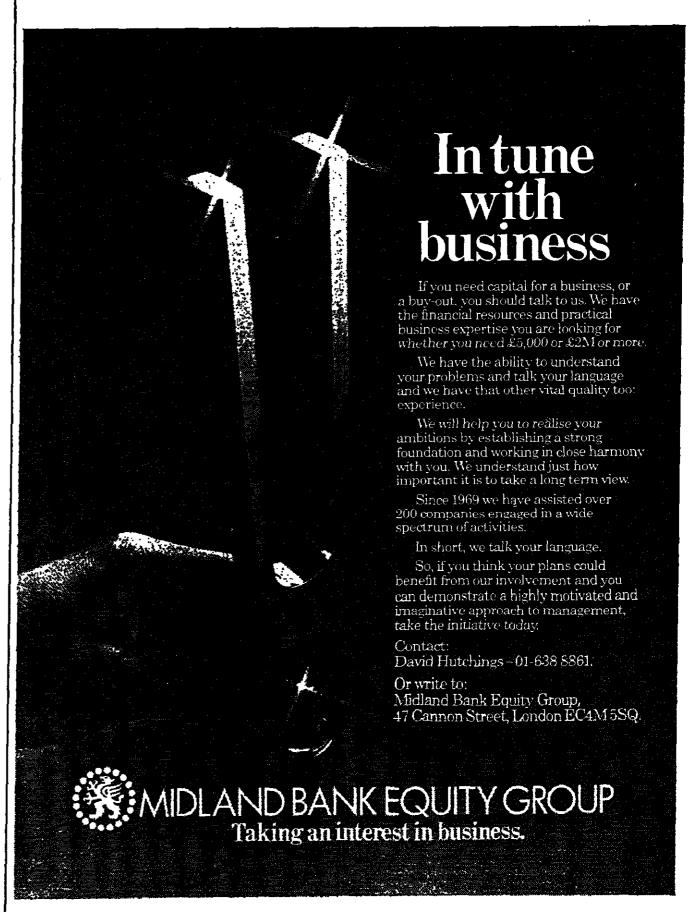
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investors and entrepreneurs please contact: Venture Capital Report 20 Baldwin Street, Bristol BS1 ISE



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Transatlantic Capital
Trust of Property Shares
Ulster Development Capital

Ulster Venture Capital .....

VeuTech Venture Founders

Venture Link (Holdings) 100
Warburg Investment Management 50
Water Authority Superannuation Fund 200
Welsh Development Agency 5
Welsh Development Capital (Management) 100
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West Midlands Enterprise Board 100
West Yorkshire Enterprise Board 25
Western Enterprise Fund 25

board will be requested by the managers as indicated.

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Signs indicate managers' preference as follows: \*Yes, † No. ‡ Possible. § Only with equity. ¶ Usual. || As appropriate. Additionally, in the columns marked ! The Managers will consider providing capital in the form of equity or loan, as indicated, \$A seat on the

Sabrelance Sapling (North West)

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The argument for deregulating the UK market are discussed and a market absence.

received little attention elsewhere.

The argument for deregulating the UK market are discussed and a useful glossary of terms is designed to minimise confusion.



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# MAJOR SOURCES FOR VENTURE CAPITAL IN THE UK

THE table describes current major sources of venture capital in the UK. It was compiled by accountants Peat, Marwick in conjunction with Venture Economics, publisher of the UK Venture Capital Journal. It shows there are now more than 130 institutions offering venture capital in the UK. Further information can be

obtained from: Tony Fry, Senior manager in charge of Peat, Marwick's Private Business Unit at 1 Puddle Dock, Blackfriars, London EC4V 3PD. Phone: 01-236 8000. • Venture Economics, 37 Thames Road, London W4 3PF. Phone: 01-995 7619.

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	invest	ments —		vidic	ng tưnđ	5 101—	<u></u>	In the				
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Profile: HEME Intl.

By Ian Hamilton-Fazey

# Invaluable help from Pilkington

"It took twice as long and cost three times as much as we thought it would just to get going," says Mr Rodney Jackson, managing director. "We were too optimistic about overcoming problems and develop-ing markets for a revolution-ary product."

ary product."

The revolutionary product is a microprocessor-based, clip-on ammeter that enables current flowing through a wire to be measured with hitherto unachievable accuracy for a full range of currents up to 1,000 amps. It enables measurement without having to break circuits, strip off insulation, or shut down power. It is just clipped on to a wire—insulation and all—and displays the current flowing through it.

It is turning out to be a very

ing through it.

It is turning out to be a very useful diagnostic tool for fault-finding, measuring surges in circuits and setting trip-out values in safety equipment. For weldets, a modified version calculates and displays something they need to know to achieve better results—average current.

But it costs \$200 a daunting But it costs £300, a daunting

But it costs £300, a daunting barrier to people used to paying £30-£40 for clip-on ammeters that hardly approach it for range, accuracy and performance. Mr Jackson says that for most applications three or four conventional pieces of equipment—and a lot of fiddling about—would be needed to do anything like a similar job.

HEME stands for Hall Effect

HEME stands for Hall Effect Monitoring Equipment, the Hall effect being a formerly obscure piece of empirical physics that the silicon chip and modern semiconductor tech-nology. has suddenly made applicable.

HEME's ammeter, which is about the size of a medium-sized torch, uses the Hall effect —a current passing through a magnetic field generates a measurable voltage across a measurable voltage across a semiconductor—to calculate current, and flash up a digital reading on a liquid crystal display. The device can also be connected to an oscilloscope and a chart recorder to give continuous displays of the complex waveforms of some currents.

Technologically advanced it the University of Manchester Institute of Science and Tech-nology (UMIST) for advice on chip technology.

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5 years

Source: Pest, Marwick, Mitchell and Co; Venture Economics.

Оред

THE PERILS of venturing into high technology are well illustrated by the story of HEME International, happily poised for rapid growth in its brown brick factory in Skelmersdale New Town, Lancashire.

where to go for help and ended up at the Community of St Helens Trust. He was passed on to Pilkington Brothers for advice and appraisal and the glass giant decided to take a chance on a corporate venturing basis. taking a 70 per cent chance on a corporate ventur-ing basis, taking a 70 per cent stake in HEME International, with Mr Jackson and Dr Cohen sharing the rest of the business between them.

between them.

"One way or another, Pilkington invested over fim," Mr
Jackson says. Without patient,
big company backing it is more
than likely that HEME would
never have brought its ammeter
to birth. It took two years to get
into production. When revenue
did start flowing, in 1982, it
amounted to only £200,000.

The next year saw turnover of £300,000 and in 1984 it shot ahead to £700,000 as the ahead to £700,000 as the ammeter won increasing acceptance in Britain, France and Germany. This year has seen a setback because the company overestimated the ammeter's rate of acceptance in the US, but there will still be an advance in turnover to £800,000.

The 12 months also saw The 12 months also saw Pilkington reappraise the project and look for another partner to share the risk. Restructuring saw Electra come in with £200,000 of capital for a 30 per cent stake. Pilkington now has 60 per cent and the entrepreneur and the inventor 5 per cent each.

But prospects look good: next year's order book is already up to £500,000-worth and Mr Jackson is confident that the 46 jobs at the company are safe.

Crucially, HEME has stopped being a one-product company and has developed a range of transducers capable of measuring currents of up to 100,000

Gradually, HEME's products are becoming known and Pilk-ington is confident that the ington is conneent that the money spent will prove capable of producing returns well into the 21st century. It has taken six years so far and the glassmaker's patience is something for which Mr Jackson has been years thankful very thankful.

When he first sought backers for the idea he believed that he would be a millionaire by now, but he has no regrets and great hopes.

In the early days people could not understand from the company's literature why its ammeter was worth £300. This Technologically advanced II ammeter was worth £300. This may be, but getting it into production was a long and risky operation. The opportunity arose by accident when Mr Jackson, a watchmaker who had set up Britain's first repair service for digital watches, asked the University of Manchester Saatchi porthern operations in Saatchi northern Manchester.

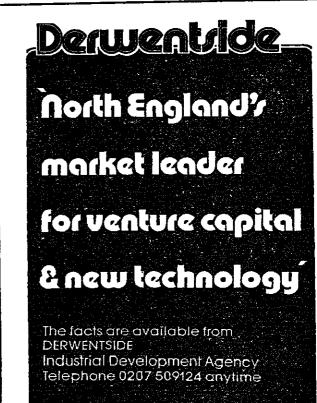
Institute of Science and Technology (UMIST) for advice on chip technology.

He got this advice from Dr Emmanuel Cohen, who happened to have been studying the Hall effect for the 25 years of his academic life. The possibilities of developing something that would apply the effect came up when the two men were chatting one day.

Mr Jackson had no idea

Manchester.

Mr Tabac got Saatchi's to rewrite and redesign HEME's flagship brochure. This now really does make the main product look like "the world's most advanced and versatile chappen ammeter." which is the claim the company makes for it. It also makes it look worth much more than £300. Pilkington may get its fim back yet, with interest.



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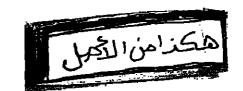
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# SECTION II - COMPANIES AND MARKETS

# **FINANCIAL TIMES**

Tuesday December 3 1985



Sole manufacturers and patentees: L.B. Plastics Limited Firs Works, Nether Heage, Derby DE5 2.1.1. Tel: 1077385) 2311, Telex: 377058

# Brown Boveri tightens

BY WILLIAM DULLFORCE IN BADEN, SWITZERLAND

BROWN BOVERI, the Swiss elec- "sleeping giant." The group had sidiary more firmly under the control of group management in

Brown Boveri Switzeriana above 65 per cent of the stock of Brown now being made on it, Dr Leanward Boveri Mannheim, having built up said. Group companies abroad run as separate profit centres had been as separate profit centres had been recent purchases. It is now offering DM 310 (\$123) a share to other DM 310 (\$123) a share to other stockholders with the aim of raising on common front and preventing its stake 75 per cent before the annual meeting of the German compa-ny on March 6. The offer is valid until January 7.

The price was DM 298 a share when trading was suspended in Germany on Thursday, pending yesterday's group board meeting. The cost to Brown Boveri Switzerland of raising its holding to 75 per cent is estimated at SFr 150m

The Swiss group also plans far reaching reorganisation - the first significant action taken by Dr Fritz eutwiler, the former president of the Swiss National Bank who was

Babcock profit

edges ahead

By Rupert Cornwell in Bonn

DEUTSCHE BABCOCK, the lead-

ing West German power and engi-

despite a further tumble in sales.

In the year to the end of Septem-

ber 1984, the company managed a

profit of DM 28.1m (\$11.2m) enabling it to resume dividends to or-

dinary shareholders after an inter-

ruption of two years. Despite his in-

dication of a small rise in earnings

Mr Helmut Wiehn, Babcock's chief

executive, gave no clue what stock-

holders might receive for 1984-85,

after the previous year's payment of DM 3 per DM 50 nominal ordi-

completed last year, sales fell sharply to DM 5.1bn from DM 6.5bn in 1983-84, and a high of over DM

Hypobank set

By Jonathan Carr in Frankfurt

BAYERISCHE Hypotheken und Wechselbank (Hypo), the big Bavar-ian bank, is heading for a year of

record earnings after raising its op-erating profit by 7.1 per cent in the

For 1984, the bank raised its divi-

dend from DM 9 to DM 10 and paid

a DM 2.50 bonus. It has so far made no comment on the possible level

Like most of its rivals, Hypo is profiting greatly from the boom in the share and bond markets – rais-

ing its earnings from commissions in the first 10 months by 30.7 per

for record

nary share.

trical engineering group, is plan-ning to bring its West German sub-ing a modest consolidated net profit of SFr 85m on sales of SFr 11.2bn

aden, Switzerland.

Brown Boveri Switzerland holds

The existing organisation of the group did not meet the demands

By next autumn, the business activities of the group are to be split into 24 divisions extending across national boundaries. The divisions will be marshalled into six segments, each headed by a member of the group management.

Brown Boveri has already reduced the capacity of its core power generating and power distribution businesses by about half, but this is considered insufficient in face of today's weak markets.

expertise. These include offshore installations, water sterilisation plants, district heating, transport and information technology.

It would not be easy to offset the lack of orders for power generating plant, worth between SFr 500m and SFr 1bn each, with new products from these sectors, Mr Pierro Hum-mel, chief executive, said. This was one of the most important reasons

Consolidated net earnings are ex-pected to grow in 1985 but not by as much as last year, when Brown Boveri posted a SFr 85m net profit against an undisclosed loss in 1983. A strong increase in sales from last year's SFr 11.2bn will be

achieved thanks largely to the in-voicing in the last quarter of an order for a high-temperature nuclear reactor in West Germany. Consolidated sales in the first nine months amount to SFr 7.7bn -SFr 100m more than in the previous

Orders received during the period Emphasis will shift to growth areas in other markets in which the SFr 8.4bn for the same period a

Kymi's supervisory board.

The combined sales of forest in-

(FM 6.5bn). Kymi produced 664,000 tonnes of aper and board last year and Kaucas reached 331,000 tonnes in its best year. Kymi's pulp production rose to 334,000 tonnes and Kaukas's

Their combined paper and board-making capacity stands at 1.5m tonnes and their pulp production can reach 660,000 tonnes

# Control Data sells finance portfolio

By Paul Taylor in New York

troubled Minneapolis-based compu nance portfolio of its Commercia Credit financial services subsidiary to Sanwa Bank of Tokyo.

The US group, which last month cancelled its quarterly dividend and is negotiating with its bank lenders on \$383m of short-term debt which is in technical default, did not disclose the terms of the deal. But it said that the portfolio was valued at . more than \$120m.

sidiary's loan portfolio, including its entire \$750m mortgage servicing portfolio, the Commercial Credit services unit and the Commercial

Credit business loans unit. Earlier this year, Control Data cancelled a plan to sell the whole of Commercial Credit, which offers a

# **Finnish** pulp groups to merge

By Olli Virtanen in Helsinki

KYMI-STRÖMBERG, the Finnish forest-industry and power-technolo gy group, is to take over Kaukas one of Finland's leading forest industry companies. The agreed will make Kymi the third industrial concern in

Kymi said yesterday that it controlled 45 per cent of Kaukas and offered to swap the remaining 55 per cent for its own shares. Kymi did not disclose on what terms it accumulated its holding.

The single biggest shareholder in Kaukas, the Swedish forest industry group Stora, sold its 8 per cent holding to Kymi for S5m in cash. Kaukas is much the smaller of the two. It has been the most profitable Finnish forest industry compa-

ny for two years running.

Last year it made a FM 288m (\$53m) net profit on turnover of FM 1.8bn. The corresponding figures for Kymi were FM 105m and FM

The reorganisation of Finland's ailing forest industry is the main reason for the merger. Both compa-nies are financed by Union Bank of Finland, which is seen as being behind the move. Mr Mika Tiivola, UBF chairman, is also chairman of

dustry products of the two compa-nies reached FM 6bn last year, which will make the group a close second to the country's leading forest-industry company, Enso-Gutzeit

CONTROL DATA, the financially ter and computer products group has sold the direct equipment fi

Control Data has been plagued by losses and write-offs, mainly in its computer peripherals division. It is in the middle of a big reorganisation, including substantial asset sales, intended to conserve cash, bring a return to profitability and

reassure its bankers.

The group has already sold to various buyers sizable chunks of its profitable Commercial Credit sub-

wide range of financial services

# control of German unit

appointed last May to shake up the group has developed technological

Deutsche

neering group, yesterday reported a slight improvement in profits for the financial year to September, in the US.

day that the two companies could employees, produces chemicals for not agree on a price, said it in a wide range of uses, including food tended now to retain and build up additives.

The operations, with sales reve nue of \$80m a year, were described by Henkel at the time as outside its main US activities. Henkel has been restructuring its chemical op-erations in the US, which produced about 10 per cent of its DM 9.34bn sales revenue last year.

Schering is preparing to market its oral contraceptives in the US af-ter having established itself as the market leader in such products in

# Henkel, Schering drop US merger

yield sterols, an essential raw mate- based concern this year.

German chemical groups, have failed to agree on a plan for Scher-ing to take over Henkel's polymer

iary in the US. A purchase price of about \$70m was reportedly under

# BY JOHN DAVIES IN FRANKFURT HENKEL and Schering, the West rial for Schering in making steroid

resin and fine-chemicals divisions Henkel, which disclosed yester-

Only a few weeks ago, Henkel confirmed that it was talking to Schering about the two divisions, and Schering announced that it in-tended to take them over and incorporate them into its Sherex subsid-

Henkel meanwhile is buying the Gruenau subsidiary of Degussa, the precious metals and chemical conrn. Gruenau, with sales revenue of DM 180m (S71.7m) a year and 610 employees, produces chemicals for

Henkel said the move, which still has to be approved by the Federal Cartel Office, would widen its range in some product areas, as well as being a further diversification in fine chemicals.

 Rütgerswerke, the West German chemical company, is raising just under DM 60m in a two-for-11 rights issue at DM 150 a share

Professor Heinz-Gerhard Franck chief executive, said yesterday that group sales revenue rose 5 per cent to DM 2.73m in the first 10 months of this year and earnings reached a record level.

● BASF, the big West German chemical group, has finalised the takeover of the Seal Sands plant at Teesside in the UK from Monsanto of the US. The plant, which produces chemicals used in making fi-It was attracted to the Henkel operations partly because they would bres, is one of a series of acquisitions abroad by the Ludwigshafen-

# Mannesmann to lift spending

cent to DM 228.8m (\$91m). Profits from interest business were up by 6.3 per cent to DM 1.3bn. In contrast to many other German banks, Hypo was able to increase though it gave no details. Partial operating profit (excluding earnings from own-account trading) rose by

BY JONATHAN CARR IN DÜSSELDORF MANNESMANN, the West German sion and modernisation in the plant engineering concern which has already announced higher sales and profits for the first half-year, is raising investment next year to DM Braun, which produces electronic process plant controls, and to Kien-

The company said that DM 783m of the total would go to fixed-asset spending - DM 488m of that in West Germany – and another DM 80m would be for financial investment. Of the fixed-asset investment, DM 353m is earmarked for exten-

zie, the group's data systems com-

Of the sum earmarked for foreign investment, the biggest single amount, of DM 178m, would go to Brazil Last year Mannes raised the turnover of its Brazilian offshoot by 62 per cent to DM 1.2bn.

"Will the negotiated commission come to Japan? This question is why we took such a long time to make up our minds about applying [for a seat]," says Mr Satoru Saitoh, ing, the Hong Kong based joint venthrough Japanese agents parting ture between Robert Fleming of the with 27 per cent of their commission in the process. Mr Iwakuni is Kong. JF is the largest trader of

Mr Iwakuni disagrees. Drawing This year, he says, gross commis- on his 25 years experience in the manufacturer which is attempting more control and more small firms a hostile takeover of a Japanese will be in trouble. I know many peoprecision instruments company. ple think we should go to a free system like the US, but I think it will exchange are less optimistic. They never happen," he says.

Ų,

# Bond buyers back off for year end

down their purchases for the year end, but new issue activity continues apace, writes Maggie Urry in

Some of the issues now being launched have payment dates in the new year, when buyers may

once again have cash to invest. Bell Group, the Australian mediato-resources company, launched its expected convertible bond issue, the first in the Euro-Australian dollar market. The A\$75m issue, led by Swiss Bank Corporation Interna-tional, has a 10-year maturity with an indicated 10-11 per cent coupon and 18-20 per cent conversion prem-

ium. Issue price is par. The deal is part of a A\$180m package. Another A\$75m of convertible bonds, on similar terms but not fungible with the Eurobond issue, is being placed in Australia. It is thought that Mr Robert Holmes à Court, the Bell Group chairman, is buying the whole of the Australian omestic portion of the issue. There is also an international share placing of 2.62m shares to raise around A\$30m. The final terms on the bond

and share issues will be set on De-The Eurobonds carry fees of 21/2 per cent and the lead manager was quoting the issue at the issue price.

had risen to 17.07 per cent, part of which is in the form of options.

Two deals were launched in the Eurodollar bond market and many more were under discussion. Yesterday the Inter-American Development Bank (IADB) launched a \$200m 10-year issue led by Morgan Guaranty. This has a 9% per cent

coupon and par issue price, and with fees of 2 per cent the borrow-er's cost was 38 basis points above US Treasury yields at the launch. That looked a fair margin and the bonds were trading inside the fees Citicorp was the other borrower with a \$150m three-year issue, ma-turing in January 1989. Goldman

Sachs priced it with a 9% per cent coupon and 101% issue price, terms which dealers regarded as aggressive. Fees total 1% per cent and at the close the bonds were bid at that discount. Eurodollar bonds weakened yesterday afternoon after a firmer start when the New York bond mar-

ket opened softer. Two yen dual currency issues were launched yesterday following three last week. Nomura International brought a Y22bn deal for

Bell Group also announced in tung which is guaranteed by Ausfor Crédit Suisse Finance (Panama) Australia that its holding in BHP tria. The funds will be swapped into and carries warrants to buy bearer tria. The funds will be swepped into and carries warrants to buy bearer fixed-rate D-Marks. The 10-year is-

\$5,479.45 per Y1m bond. Yamaichi International (Europe)

Late in the day Brown Shipley. the UK bank, made its debut in the Ecu market with a Ecu 30m eightcent coupon and par issue price. Fees total 2 per cent.

The D-Mark sector had its share of the action with three deals launched. Most popular were two equity-linked issues. A DM 250m issue with equity warrants was launched by Deutsche Bank for VW International Finance, part of the Volkswagen car manufacturing group. The 10-year bonds have a 3 er cent coupon and par issue price and each DM 1,000 bond has warrants to buy three shares. The bonds-with-warrants were trading

coupon and 99% issue price.

sue has an 8% per cent coupon and watt, the Swiss electricals compa-101% issue price. Redemption will ny. There is a simultaneous SFr in yen at the equivalent of 150m bond issue with warrants on the Swiss domestic market. The DM 150m issue has a 10-year matuset terms for Swedish Export Cred- rity and the coupon was set at 2% it's Y20bn 10-year deal at an 8 per per cent with issue price at par. Redemption will be in dollars at an rants. The package was trading at exchange rate of Y181.50 to the 105%. Lead manager is CSFB-

A straight issue came from CPC International, the US food group. The DM 200m deal has a 15-year year issue led by Banque Générale life, considered long in this market, du Luxembourg. This has a 9% per and the coupon at 6% per cent and the coupon at 6% per cent looked on the low side, dealers said. The issue, led by DG Bank, was trading around 98 compared with the par issue price and fees of 21/2

per cent.
The D-Mark secondary market was slightly firmer where changed in moderate volume. Here, too, the

focus is on equity-linked issues.

The IADB also launched an issue in the Swiss franc foreign bond market. Bank Leu is leading the SFr 150m seven-year deal which is expected to have a 5% per cent

# Hungary to reduce borrowing next year

BY ALEXANDER NICOLL IN LONDON

HUNGARY expects to borrow about ing and replacing loans which in-Sibn next year, about half this cluded clauses allowing it to do so. year's total, Mr Janos Fekete, first Mr Fekete said Hungary is disvice-president of the National Bank of Hungary, said in London

He was speaking before the signing of a \$400m credit including a \$100m note issuance facility, the first for an East European borrow-er. The borrower plans to test its name in the markets by arranging an issue of notes over the next few months, though Mr Fekete said the money was not needed at present and was designed to provide flexibility in handling next year's im-

In order to obtain cheaper fi-

NEW ISSUE

cussing a structural adjustment loan from the World Bank to help it reorganise the chemical industry. Further World Bank co-financings, of which Hungary was a pioneer, may also be considered.

The loan signed yesterday, com-prising a \$150m seven-year credit and a \$150m bankers' acceptance facility as well as the \$100m issuance facility, involves about 40 banks led by Bankers Trust Inter-national, Dai-Ichi Kangyo Bank and First Chicago. The margin of % percentage points above London in-terbank offered rates (Libor) is the lowest the borrower has paid.

# Freddies mines group may be split in two

BY KENNETH MARSTON IN LONDON

SOUTH AFRICA'S Free State De-mineral rights, which are to be invelopment and Investment (Fred-dies) mining finance house in the Johannesburg Consolidated Invest-dies will become a pure exploration Johannesburg Consolidated Invest-ment (Johnnies) group is readying itself for the possible exploitation of the areas where it holds mineral rights. That would require significant amounts of risk capital.

The plan put forward effectively splits the existing Freddies into two companies. One will be a new listed company – to be called DAB Invest-ments (Dabi). It will hold the exist-traded in the stock market, the plan ing R8m (\$2.9m) investment portfo- will allow investors to choose the lio, mainly of dividend-paying degree to which they wish to spread

mining shares. The other company will be the Dabi investment company and the on-going Freddies, without its inmore exciting but more speculative vestments and holding only the Freddies.

company with virtually no income. Present holders of Freddies will be given shares in Dabi on a onefor-one basis. Each 50 cents share in Freddies will then be split into five shares of 10 cents. A holder of 100 Freddies will end up with 500 shares plus 100 shares of Dabi, their money between the "safe"

November 1989

All these securities having been sold, this announcement appears as a matter of record only



# **Mitsubishi Corporation**

Japanese \$20,000,000,00061/4% Bonds Due 1995

**ISSUE PRICE 100**%%

The Nikko Securities Co., (Europe) Ltd. **Bankers Trust International Limited** 

Merrill Lynch Capital Markets Mitsubishi Finance International Limited

Algemene Bank Nederland N.V. Banque Indosuez County Bank Limited Generale Bank Morgan Guaranty Ltd Nomura International Limited Swiss Bank Corporation International Limited

Mitsubishi Trust & Banking Corporation (Europe) S.A. **Bank of Tokyo International Limited** Citicorp Investment Bank Limited Deutsche Bank Capital Markets Limited Manufacturers Hanover Limited Morgan Stanley International J. Henry Schroder Wagg & Co. Limited Yamaichi International (Europe) Limited

12 per cent to DM 709.1m.

# LONG WAIT TO JOIN JAPAN'S STOCK EXCHANGE PAYS OFF Merrill's sweet victory in Tokyo

BY CARLA BAPOPORT IN TOKYO in Tokyo newspapers vesterday for experienced stock exchange floor traders. One floor below Morgan Stanley's Tokyo offices in the gleaming Ote Center skyscraper. Merrill Lynch executives were already introducing newly-recruited

We've been waiting for this since 1972," said Mr Tetsundo Iwakuni, chairman of Merrill Lynch Japan. He was referring to Friday's an-nouncement that six foreign firms, including Merrill Lynch and Morgan Stanley, would become the first foreign members of the Tokyo stock exchange early next year.

floor traders to the rest of the staff.

For Merrill, Friday's announcement was a sweet victory. Almost exactly a year ago, it decided against paying what it decided was an exorbitant fee for a seat on the Tokyo stock exchange. Instead, it pressed for an expansion in the ex-change's membership, so that a number of foreign firms could join at a reasonable price. Both concessions have since been made. The re-

vative as it seems. "Merrill Lynch was the only firm speaking loudly and frequently, with almost no followers," claimed Mr Iwakuni yesterday. Among those granted membership last week, he says, are companies which

rill's long campaign. "I can see why they changed their minds [and applied for member-ship]," he says with a smile. The concept of a 24-hour worldwide stock market, he says, will become a reality in October 1986, when London opens up to foreign members.

Because of the London Big Bang.
Tokyo became more important.

sayş Mr Iwakını. More and more securities firms, he says, will need to have bases in London, Tokyo and New York as the 24-hour market develops. The new foreign members, including Vickers da Costa, Goldman Sachs, S. G. Warburg and Jardine

Fleming, also have the advantage of

MORGAN STANLEY, the US inwestment bank, began advertising proves that Japan is not as conserwestment bank, began advertising proves that Japan is not as conserwestment bank, began advertising proves that Japan is not as conserwestment bank, began advertising proves that Japan is not as conserwestment bank, began advertising proves that Japan is not as conserwestment bank, began advertising proves that Japan is not as conserwestment bank, began advertising proves that Japan is not as conserwestment bank, began advertising proves that Japan is not as conserwestment bank, began advertising proves that Japan is not as conserwestment bank, began advertising proves that Japan is not as conserwestment bank, began advertising proves that Japan is not as conserwestment bank, began advertising proves that Japan is not as conserwestment bank, began advertising proves that Japan is not as conserwestment bank, began advertising proves that Japan is not as conserwestment bank, began advertising proves that Japan is not as conserwestment bank, began advertising proves that Japan is not as conserwestment bank, began advertising proves that Japan is not as conserwestment bank, began advertising proves that Japan is not as conserwestment bank, began advertising proves that the proves the proves that the proves that the proves the pro the growing number of US compa- the US and London. nies listed in Tokyo. "We cover

these companies in depth; we make the market in these stocks. It's quite natural that we should handle their trading," he says. At present foreign firms must buy and sell stocks in Tokyo created a "cold climate" during Mer-

> rill Lynch once it is trading on its own account.

sions will be between \$6m and \$7m. Japanese securities business (18 Next year it will climb to \$12 to years with Nikko Securities and se-\$14m, and \$20m in 1987. In addition ven with Morgan Stanley), he says to equity trading, Mr Iwakuni ex-pects his firm to get into underwrit-different from the US in 1975. Here, ing and the mergers and acquisi-tions business in Japan. One of its very powerful, If you drop fixed clients is Minebea, the ball-bearing commissions, they will have even

optimistic that commission revenue equities among foreign firms in will increase dramatically for Mer- Japan. "In the long run it's inevitable", he conclude

# INTL. COMPANIES & FINANCE

### Rorer to buy Revlon BY DAVID DODWELL IN HONG KONG THE KA WAH BANK, one of Hong news of the reconstruction and cash the Chinese group, China Hwa Jian Kong's smaller local banks, yesterinjection. He said it would restore and the family of the late Ko Teck drugs unit

By William Ha!l in New York

PANTRY PRIDE, the Wall Street corporate raider which last month acquired control of Revlon, the cosmetics and health care group, has agreed to sell Revion's prescription drug oper-ations for \$690m cash to the Rorer Group.

Rorer, a medium-sized US pharmaceutical group which has been the subject of considerable takeover speculation on Wall Street, led a list of bidders. These are understood to have included Boots, the UK pharmaceutical and retail group, and ICN Pharmaceutical, which wanted to acquire Revion's worldwide ethical pharmaceutical business. This consists of USV Pharmaceutical Corporation and Armour Pharmaceutical.

The acquisition will roughly double the size of Rorer, which has a stock market capitalisation of \$750m and will make the company less vulnerable to a takeover.

A few centuries ago, Ferdinand

Magelian made history with the first

global strategy. He proved the earth was round and won great acclaim.

Since then, in spite of the fact we all know the "end of the earth" isn't there, more than one company

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several cities across the world in a matter of minutes.

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So, a party in a corporate corner office can exchange information with colleagues and customers in the far-flung corners of the earth as easily as another corner in the me building. With branches all over the world we can offer a closel company the same data.

Full-service offices and plant athliations in financial centers throughout North America and the world.

same building. With branches all over the world, we can offer a global company the same data communication and office-support services we supply to its home office, wherever home happens

If you've got interests or aspirations on another side of the globe, contact us. We can give you a business edge on the earth.

And help keep you from going over it.

The Sentinel Life Insurance Co. PLC.

has been acquired by

November 1985

Rorer's shares, which have traded as high as \$47 earlier this year, fell by \$2% to \$35 after the announcement of the deal on

Since it acquired Revion less than a month ago, Pantry Pride has wasted no time dismembering the Revion empire to recoup the \$1.8bn it paid for the

tion drug business, which had annual sales of \$410m, follows the \$395m sale of its Norcliff Thayer health products and Re-heis speciality chemicals busi-ness to Britain's Beecham group.

There is speculation, on Wall Street that Reviou's new owners will not honour a \$900m deal to sell Revion's cosmetics business to Adler & Shaykin, a small New had agreed to buy it as part of an elaborate delence against Pantry Pride's hostile takeover bid. There has been speculation

that Pantry Pride wants to keep Reviou's traditional cosmetics business and sell everything else.

Mr Robert E Cawthorn, Rorer's chief executive, said his company's strategy was to create world-class" health care company. The Revion acquisition provided it with "critical mass in enhances long-term shareholder

There would be an initial dilution in Rorer's earnings but sav-ings and synergies resulting from the integration of the companies were expected to accelerate future earnings to levels beyond Rorer's current growth potential without USV-Armour.

Last year Rorer had sales of \$522m. The new companies, which had combined sales of \$410m, will give the Rorer group combined sales near 51bn.

Mr Cawthorn called the acquisition an important step towards realising Rorer's strategic goal of building a significant presence in prescription pharmaceuticals.

"While we are a force to be reckoned with in the overthe-counter market, with Maalox now being promoted directly to the consumer, we need to increase our prescription product base and our marketing capabili-ty to doctors and hospitals. This acquisition achieves those objectives," he said.

The overseas operations of Rorer and USV-Armour will have combined sales of \$300m. The acquisition is expected to increase significantly Rorer's flow

# Foreign groups set to provide Ka Wah Bank cash injection

Kong's smaller local banks, yesterday called for a suspension in trading of its shares as discussions with Dutch, Singapores and Chinese insulations take place on a capital research to be revealed.

Kin in Singapore.

estors take place on a capital re- yet to be revealed. of the Overseas Trust Bank (OTB).

has been experiencing difficulties and financial services group, was sian who lives in Singapore. It resince the collapse earlier this year named as one of the parties involved in the reconstruction. The in June this year from the Hong second is Kaihin Enterprises, a joint venture company owned by poration and the Bank of China,

Amev N V, the Dutch insurance by of Mr Low Chung Song, a Malay-

# FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The

	following are closing prices for December 2.							
	U.S. DOLLAR		Change on					
ı	STRAIGHTS	lana,						
ĺ	Amey 104; 50	190) 100						
ı	Amex Credit 10% 90 Atlani Richfid 10% 00	250						
ì	Austrélia Com 11 95	200						
I	Australia Com 1114 00	100	1065s 1071s + 014 + 076 10.30					
J	BP Capital 171 <sub>8</sub> 92	150						
١	Campbell Soup 10's 95	100						
I	Canada 11'2 90	500						
ĺ	Canadian Pac 104, 33 Conedian Pac 125, 89	190 75	104 12 105 - 8 14 + 954 9.81 1 169 14 109 14 - 0 14 + 6 34 11.11					
I	CEPME 10° 91	100						
ļ	Chevron U.S.A. 124 69	600	1044 1054 - 612 - 036 1058					
ł	Criscorp 10 88	200	1017a 1023a - 01a + 03a 9.05					
Ì	Citicorp 10% 95	200	997 <sub>8</sub> 1082 <sub>8</sub> 0 + 95 <sub>8</sub> 10.58					
ı	Coca Cola 11% 91	100	1073 1077a - 01a + 01a 9.96					
ı	Denmark Kingdom 11'4 89	100	104% 105% 8 + 012 9.48					
i	Denmark Kingdom 11's 90	100	185 186 2 0 + 95 3.67 196 4 196 4 + 93 19.04					
ļ	Denmark Knigdom 11½ 92	100 225						
Į	E.D.F. 10 95 E.E.G. 95a 90	351	993g 997g + 91g + 03g 79.04 1007g 1003g 6 + 65g 9.46					
Į	EEC 114 90	100	105% 106% - 0% + 0% 8.34					
ĺ	EI B 1295	200	1105a 1111a + 014 + 1 10.13					
ĺ	Eli Lilly 10% 92	150	163 4 10334 + 014 + 634 8.52					
ı	Export Dev Corp 10 90	100	102 to 102% ~ 93 + 014 9.30					
ľ	Export Dev Corp 12 89	100	10812 109 + 014 + 078 8.22					
ı	Fed Dep Stores 10% 95	100	19036 10078 + 012 + 116 10.00					
ı	Ford Motor Cred 17% 90	100	104 104'2 + 0'4 + 058 10.06 1065a 107'a + 0'4 + 6-4 10.77					
	Ford Motor Cred 12 95 Gen Elec Credit 104 00	10g. 200	106% 107% + 0% + 6% 16.77 102% 182% 0 + 0% 9.92					
l	GMAC 10's 89	200	10214 10234 - 018 + 038 9.34					
i	GMAC 10'4 92	250	10134 10214 9.54					
	IADB 10'2 95	150	1025a 1081s + 01s + 07s 10.01					
	IBM Credit 10% 2000	300	1"102" 103"4 0 + 0"4 8.96					
	kellogg Company 10% 90	100	1033 1044 0 - 01 <sub>8</sub> 9.54					
	Kellogg Company 114 92	190	105% 1061a - 01a + 01a 9.91					
	LTGB 12% 91	108	112'2 113 0 + 0'8 9.91					
	Macy Cred Corp 19a 95 Misur Trust 119 90	100 100	† 10234 10314 + 016 + 038 11.79 † 70514 10534 0 + 014 10.03					
	Nippon Cred B4 104 95	150	101-4 102-4 - 81 <sub>8</sub> + 63 <sub>6</sub> 10.29					
	Pilisbury Co. 1074 93	100	99°s 997s 0 + 67s 10.31					
	Pru Realty secs 12's 95	546	10978 11038 + 012 + 138 10.35					
	Qantas Airways 10% 95	140	10278 10338 + 058 + 112 9.84					
	Quebec Hydro 111: 92	100	10734 10814 - 012 + 012 9.86					
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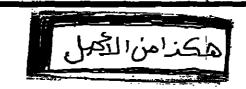
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# INTL. COMPANIES & FINANCE

# Israel's electronics innovators show signs of vulnerability

ISRAELI companies have always believed they have the brains to compete with the best, but the most successful have also decided to limit their ambitions.

In the area of high technology, this peculiar blend of confidence and prudence has resulted in an industry tailored strictly to specific needs. Innovators recognise that, in a world dominated by big companies of the US, Japan and Western Europe, the only viable option for a small country is the location and occupation of a vacant niche. Around this premise, companies like Elscint, Sciter, Tadiran, Laser Industries and Elbit have grown. Each is a

Elbit have grown. Each is a specialist. None, until recently, has tried to steal the show. The result for Israel has been a vibrant young industry, strong in research and development, cautious on production. Yet, cautious on production. Yet, while the reputation of Israeli electronic engineers and technicians has never been higher, the temptation by top managers to accelerate into new areas is growing and the risk of overstretching is real.

stretching is real.

At the same time, the lack of a large industrial infrastructure, deriving in part from past specialisation, has led to a growing exodus of graduates and technicians from Israel to the US. In Silicon Valley, they say, the second language is Hebrew.

Foremost among the newly troubled ventures is Elscint, Haifa-based manufacturer of medical imaging equipment,

medical imaging equipment, with a workforce of 2,500.

additional repayments in respect of \$70m-worth of bonds issued, in return for tax advantages, to a selection of Israeli investors.

Heavy and prolonged market-ing of a broadened product range, together with too rapid plant expansion, is blamed for the deterioration, which led this year to the resignation of Mr Avraham Suhami, the

Walter Ellis on the way rapid expansion is forcing Israel's high-technology industries to face up to some uncomfortable decisions

founder-chairman, and his replacement by Mr Uri Galii, head of Eiron Electronics.

Elron, a holding company, has a stake in Elscint of 29 per cent. Elscint shares are quoted is likely as a stake in Elscint shares are quoted is likely as a stake in Elscint shares are quoted is likely as a stake in Elscint shares are quoted is likely as a stake in Elscint shares are quoted is likely as a stake in Elscint shares are quoted is likely as a stake in Elscint shares are quoted is likely as a stake in Elscint shares are quoted in the lome market for their sophisticated products is negligible. This provides a measure of products is negligible. This provides a measure of products is negligible. This provides a measure of products is negligible. This provides a measure of protection from economic hardship within the lower products. Elron, a holding company, has a stake in Elscint of 29 per cent. Elscint shares are quoted not only in Tel Aviv; uniquely for an Israeli enterprise, they are also traded on the New York Stock Exchange.

York Stock Exchange.

Under Eiron's supervision recovery is under way, and significant new sales have been made this summer in the US. Nevertheless, jobs have been cut and targets reduced. For the flagship of Israeli high-tech to be forced publicly to trim its sails was a sure sign of stormy waters.

Scitex, of Herzliva, another of

Scitex, of Herzliya, another of the high-technoolgy leaders, is facing key decisions. In spite of its considerable success in the competitive field of computer graphics, which have made it one of Israel's most formidable exporters to the US, Europe, and even Japan, Scitex announced earlier this year that it might have to shelve ambitiuos plans for expansion.

The company, like most Israeli high-technology concerns, has raised nearly all its investment capital in the US. This year, in a bid to raise funds that would enable it to increase its 1,800-strong workforce sub-stantially, and double sales to \$200m, it decided to look closer Elscint, which has 8 per cent of the world market for medical imagers, was founded by a group of eager young to pressure the Government ingraduates in 1969. But as sales peaked, profits fell and a regulations covering individual investment in industry through followed by a further deficit of bonds. Success was only parsion in the first three months of the current year.

It had bank debts of about issue. The results of both institutes are keenly awaited.

Meanwhile. Scitex says that Meanwhile, Scitex says that third quarter earnings this year are likely to be hit by cuts in state R and D funding and reduced export cover. Recruitment of technical staff over the past 12 months has been "highly selective," it adds, and sales are not expected to reach \$200m before 1987.

Elscint and Scitex are heavily dependent on exports—

\$200m before 1987.

With 2,100 workers, orders valued at \$300m and sales this year likely to exceed \$150m, Elbit is well placed. The one blot on the trading picture is the possible cancellation of the proposed Lavi jet fighter, to be produced with cash and specialist help from the US. Elbit would expect a major share in the Lavi, and would suffer if the project were to be aborted

Tadiran, Israel's largest hightechnology, venture, also started life providing equipment for the armed forces. It first estab-lished a reputation through its improvements to military communications systems built under licence. Subsequently, it grew by applying raw talent to a bewildering array of highly specialist areas.

Insted a reputation through its improviding little incentive to specialists to stay at home.

Ministers are disturbed about the situation and are trying to reverse the trend.

Israel may have to make up

With 11,500 employees, in cluding 4.000 researchers, it is probably hig enough to make whatever it chooses. However, it concentrates on doing what it ocentrates on doing what it does best—developing and building specialist systems for sale around the world. Its primary batteries are market leaders: so are several of its control and imaging devices. With total sales in 1984 of \$570m and exports to the US alone this year likely to double alone this year likely to double to \$120m, the Tel Aviv concern

Tadiran began life in 1961 at the start of a protracted economic boom, but the climate has altered radically since. Today, despite US and Israeli Government assistance, companies large and small alike face record interest rates at home and an increased requirement to sall competitively. ment to sell competitively abroad, which makes them vulnerable.

pensive series of export promotions and R and D based largely on the perceived needs of foreign markets.

An example of what can be achieved in a large and reliable home market is provided by Elbit, of Haifa, another Elron associate, which designs and builds electronic systems with clvil and military applications. Elbit's biggest customer is, not surprisingly, the Israeli defence establishment, and the restulting export spin-off is considerable.

With 2,109 workers, orders valued at \$300m and sales this year likely to exceed \$150m. US is just as worrying.

The fact is that there are simply not enough jobs to satisfy the needs each year of the thousands of graduates pouring out of the universities, and in particular the prestigious Israel Institute of Technology (the Technolon). Most companies have had to cut back sharply on recruiting, and a significant proportion of manusignificant proportion of manu-facturing is in any case already concentrated overseas

Salaries in Israel have also lagged behind, helping companies in the short term, but providing little incentive to

reverse the trend.

Israel may have to make up its mind soon what it wants the sector to become, if it wants to proceed mainly as a provider of specialist equipment, based on high quality R & D, it will undoubtedly enjoy continuing respect and a level of commercial success relative to its size.

If, on the other hand, it hopes to grow and expand into primary areas, it has to build up both the capital and the infrastructure with which to meet the competition. Jewish brainpower, a much repeated

# Danish credit group to seek **UK** funding

By Hilary Barnes in Copenhagen

KREDITFORENING Danmark (KD), Denmark's largest mortgage credit association, is proposing to to the British market to final housing construction by Danish companies, according to Mr Allan Bonnis, deputy general manager.

Denmark's mortgage credit ass ciations finance property by lend-ing money raised through the issue of bonds. The property represents security and no account is taken of borrowers' creditworthiness.

Almost all Danish real-estate sales are financed by that means. Denmark has one of the largest bond markets in Europe and the Danish associations are owned by the borrowers.

KD has already financed some housing construction by Danish firms in West Germany. It is considering entering the French, Portuguese and US markets.

The development follows change in Danish legislation in June enabling Danish mortgage credit associations to finance property in member countries of the Organisation for Economic Co-operation and Development (OECD). They may, however, only finance property abroad up to a maximum

of 3 per cent of their reserves, a limit that the associations want the Government to raise. KD's reserves total about DKr 12bn (\$1.3bn). KD still needs the Bank of England's approval before it can go ahead in the UK, but expects to

receive that in the new year.

Mr Bonnis said KD would finance construction by Danish com-panies working in the UK primarily on housing.

# Nordisk warns Copenhagen

By Our Copenhagen Correspondent

NORDISK GENTOFTE, the world's third largest insulin producer, has warned the Danish environmental authorities that unless it receives permission to go ahead with the production of a human growth hor-mone within two weeks it will consider arranging for production by the Wellcome Foundation in the

The growth hormone will be produced by gene-splicing technology. Nordisk is engaged in a race with KabiVitrum, Sweden, and Genentech, of the US, to introduce the

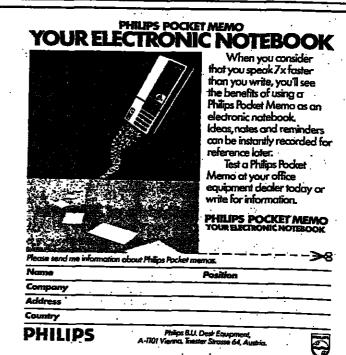
Nordisk has already received preliminary approval for production in Copenhagen but the start-up has been delayed over an appeal by an ecologist group against the decident of the production of sion to permit production.

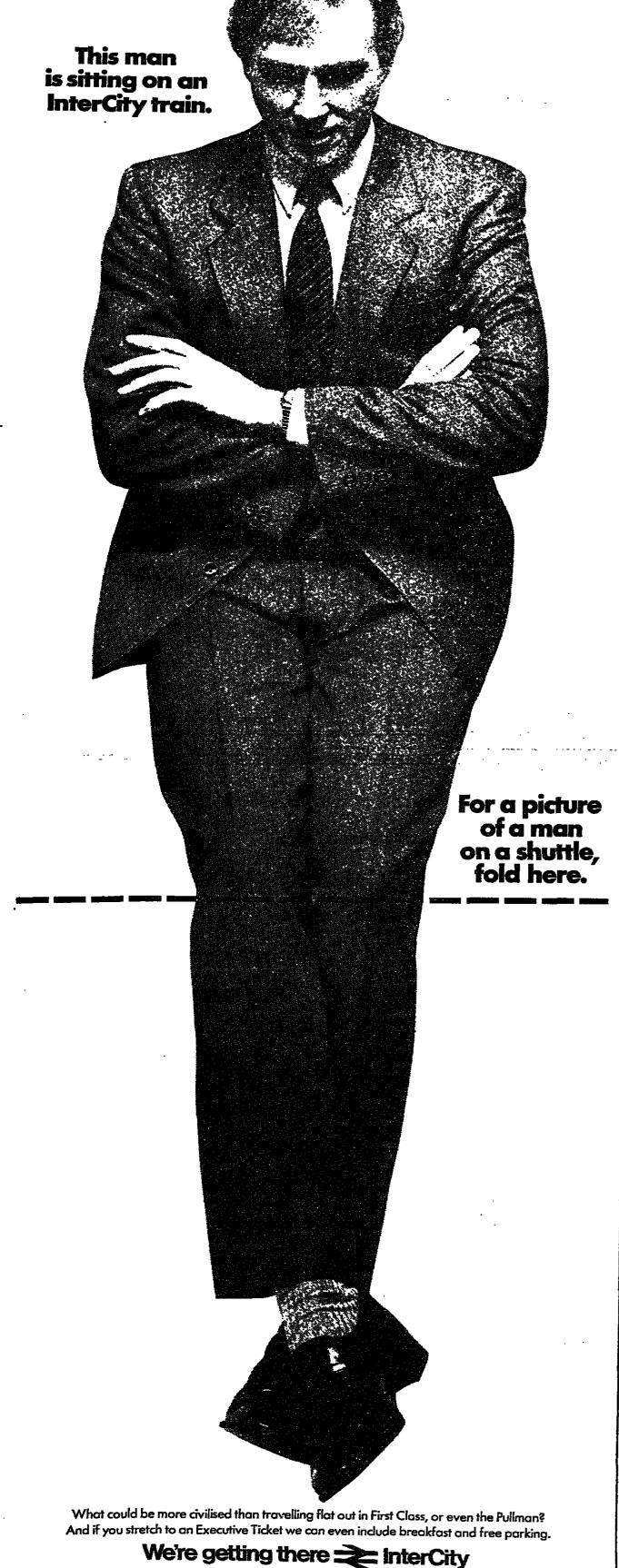


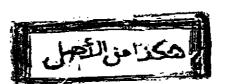
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# INTL. COMPANIES & FINANCE

Chris Sherwell on the widespread impact of a corporate collapse

# Pan-Electric shakes Singapore

WHEN SHARE trading in Panment involvement. Yet he Electric Industries was sussepped in to help, and it repended in Singapore and Kuala Lumpur two weeks ago, no one he did.

One key factor, however, was doubted that the marine salvage and property group was in financial trouble. Rumours had in the two congenitally gossipy markets, and it quickly emerged repayment, part of a larger loan of about S\$75m.

What no one outside a tiny circle realised until a few days later, was how widespread the impact of any collapse would be. Not only were other quoted companies at risk—notably Growth Industrial Holdings and Sigma International, shares in which were also suspended— but also a number of broking firms and, in the most apoca-lyptic view, the whole stock

The reason, as Pan-Electric's bank creditors had discovered for themselves before the default, was the existence of at least \$\$140m worth of obligations on the part of Pan-Electric and its subsidiaries to buy up shares on a forward basis. The group had been laden with

commitments it couldn't meet. Last weekend, after 11 days of abortive rescue talks, the banks decided to put in a receiver. The Singapore Stock Exchange quickly suspended all dealings before yesterday's expected re-opening because defaults on these contracts and an unknown number of others all part of customary practice in Singapore and Kuala Lumpur -threatened to bring the whole

house down.
The disc The discovery of Pan-Electric's forward share commitments came when three banks — Standard Chartered Merchant Bank, Citibank and Banque Paribas—were preparing to underwrite a rights issue raise SS64m and help luce the company's reduce enormously increased bank

borrowings.

The borrowings, it turned indirectly out, had been used indirectly for share transactions quite outside Pan-Electric's mainstream activities. The obligations so created involved shares in Grand United Holdings and

under no obligation to get in. This at volved in a rescue. After all, mation

One key factor, however, was that, at the time the crisis broke, he was about to become leader been flying around for a while of Malaysia's main Chinese political party, and could not afford any embarrassment before an elevation which is that the company had defaulted before an elevation which is on a \$\$7.5m (US\$3.6m) debt certain to lead to a Cabinet position. A second is that the Pan-Electric obligations involved enough shares in his own companies to threaten his control over their share prices.

This was important because many entrepreneurs and speculators in Singapore and Kuala Lumpur lend and borrow cash on the basis of shares as col-lateral. Central to this credit creation are the brokers, who act as mini-banks and make money from the interest they charge as well as commissions. Just as significant, their

national Airlines, the island crisis broke, state's national flag carrier. When the

Within a few days, the "basis of an agreement" was reached, to be recommended to all the creditors. The plan involved an injection of \$\$40m by Mr Tan and his guaranteeing \$\$100m-worth of forward contracts by last Friday. The banks, for their part, were to agree on a 12-month mora-torium on Pan-Electric's capital repayments and a reduction in interest charges.

This in turn was supposed to lead to a full-scale study of the company's books by Price Waterhouse, the accounting firm and a financial restructur ing which was likely to involve a larger rights issue, a debt-to-equity conversion, and almost certainly a change of Pan-

That matters had got that far



Empty trading desks on the Singapore Stock Exchange

of up to six months or even a year creates a pyramid of equity which is in effect debt. Some people believe Mr Tan's involvement in Pan-Electric goes back to last year. Either way, his offer of help in a rescue led to talks with a steering committee of the banks which made the original S\$75m loan to Pan-Electric.
The committee included
Standard Chartered, Citibank
and Banque Paribas along with

the stable of companies controlled by Mr Tan Koon Swan, a Malaysian entrepreneur recently turned politician.

Mr Tan, who since earlier this year has held a 22.6 per cent stake in Pan-Electric through Sigma, seemed initially to be under no obligation to get in-This absence of official infor-mation proved disastrous,

took effect at the end of Novem

and sales on a forward basis heavy presence of the Monetary Authority of Singapore, the country's powerful financial regulatory agency. Having initially stood on the sidelines, believing market forces could take their course, the authority was made to realise the poten tial impact of Pan-Electric's collapse on the stock market and on general confidence, and

it duly stepped in.

Despite this, the negotiators' nervousness grew over the true financial state of the group, especially its cash flow position and the exact scale of its forward contracts,
The bank creditors also

seemed unsure of themselves.
Practically all of them are foreign, a revealing sidelight of the affair and a comment on the quality of their lending. They seemed divided, between those the had apparently become causing the whole stock market with secured loans and those discharged if Price Waterhous interested in the company only to plummet and, incidentally, without, and distressed by their can report favourably on the recently, and had no manage— burn the much-vaunted public failure to get detailed informations.

When the end came last Saturday, the banks also appeared to have lost their faith in Mr Tan and his advisers, N. M. Rothschild (for Sigma) and Singapore International Merchant Bankers (for Mr Tan himself).

They said Mr Tan had not performed in full certain actions he had agreed to— a reference to his eventual decision not to "take out" Pan-Electric's forward contracts. They also spoke of a "legal impediment" he had raised at the last minute, which for the banks was obviously the final SŁFĄW.

On Sunday night Mr Tan denied responsibility for the breakdown. He maintains that the true value of forward contracts involving his companies had been found to be less than \$\$140m, and that the remainder involved companies in which he had no part. As for the legal hitch, this turned out to be a law which prevented him channelling money to Pan-Electric

There had also been dis agreement between the two sides over the preferential status of Mr Tan's loan in relation to the banks' loans, and this too ultimately made reconciliation impossible. The Monetary Authority finally decided to back off, and the banks applied to the courts for the appointment of Price Waterhouse as receivers and

How all this originally came to pass may be learnt only if Pan-Electric's directors are brought to court, a real possi-bility given the damage now done. Criminal investigations are under way, although the alleged mastermind, stock-broker Mr Peter Tham, suddealy left the country earlier this year and resigned his directorship of Pan-Electric in

Mr Tan's involvement still remains obscure, it is difficult to see how his business and political affairs can escape totally unimpared. affair seems certain to embarrass Malaysia, which has

emoarrass Malaysia, which has also shut its stock market.
As for the company's future, the banks said in their statement that the appointment of a receiver "will in no way prejudice and is indeed intended to protect the interests of existing shareholders, employees and creditors." The appoint seemed divided, between those with secured loans and those without, and distressed by their can report favourably on the



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**NEW ISSUE** 

These Notes having been sold, this announcement appears as a matter of record only.

# Profits down by 11% at **Singapore Press Holdings**

SINGAPORE PRESS Holdings. took enect at the end of November, 1984, the latest figures have been drawn up as if it had a pro-forma effective date of September 1, 1983. South-East Asia's largest media conglomerate and one of the island state's biggest industrial combines, has reported an 11 per cent decline in pre-tax pro-

fits for the year to August.

The figures reflect the impact of the economic downturn in Singapore and the rest of the region. Although turnover was up from \$\$623m (US\$297.7m) to \$\$718.5m, pre-tax profits were down from \$\$119m to \$\$106m. Trading profit was up 13.2 per cent at S\$87.4m.

The group was formed by the 1984 mereger of Straits Times Press and Times Publishing, with Singapore News and Publishing 1984 mereger of Straits Times closed in July because the principal shareholders were not prewith Singapore News and Publications. Although the merger

# **Keppel and Sembawang** shipyards will not merge

decided against a merger, despite a recommendation to despite a recommendation to this effect by McKinsey, the US

Over the past year, the group has seen a weakening of adver-tising revenue and has been forced to raise the cover prices of the Straits Times, Sunday Times, and Business Times, Singapore's three domestic English-language newspapers. Another English language paper in Singapore, The Monitor — a rival to the Straits Times before the merger —

KEPPEL SHIPYARDS and Sembawang Shipyard, the two main solvernment-controlled shipyards in Singapore. have decided against a merger, McKirtey had told them to approximate how to minimise and

nanagement consultants.
The consultants were commissioned earlier this year to study Singapore's shiprepair industry, which has been suffer-ing from the international trading downturn and the world-wide tanker surplus. The sector had previously been a major spur to growth. A statement by the two yards said McKinsey had recomsaid McKinsey had recom-mended that they "should merge and rationalise their

share the costs of a rationalisation. If neither company was convinced a merger was neces sary, they should "pursuindependent strategies for couple of years and decide later whether to merge." The companies said they had

decided not to merge because potential assets writedowns and the companies' loss of identity would affect minority share holders. Instead, they would cut costs and reduce capacity wherever possible.

This announcement appears as a matter of record only.



# **Royal Trustco Limited**

(Incorporated in Canada with limited liability)

Can \$75,000,000 10%% Debentures due 3rd December, 1990

This announcement appears as a matter of record only.



# BANK FOR FOREIGN TRADE OF THE USSR

Dfls 200,000,000 Medium Term Facility

Provided by

Amsterdam-Rotterdam Bank N.V.

The Bank of Tokyo (Holland) N.V.

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**CIBC Limited** 

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**Dominion Securities Pitfield Limited** 

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McLeod Young Weir International Limited

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Rabobank Nederland

NordBanken Yasuda Trust Europe Limited, London J. Henry Schroder Wagg & Co. Limited

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Deutsche Bank Capital Markets Limited Girozentrale und Bank der oesterreichischen Sparkassen Aktiengesellschaft

Morgan Grenfell & Co. Limited The Nikko Securities Co., (Europe) Limited Societé Générale Toronto Dominion International Limited Westdeutsche Landesbank Girozentrale

> Banque Paribas Capital Markets Credit du Nord

Bank Leu International Ltd

Landesbank Schleswig-Holstein Girozentrale, Kiel

Nuovo Banco Ambrosiano M.M. Warburg-Brinkmann, Wirtz & Co.

Polic Peck International the Polly Peck International, the first happier."

The major problem for profits mineral water bottling company, was the translation effect of yesterday shocked the City by producing 1984-85 profits which was stable in the first half, were way below expectations. Two weeks ago, analysts downgraded their forecasts from around 832m to between 168m against the dollar led to lower and 155m for the year to receive the read to lower profits in translation from dollar. profit was even lower at f61.1m (£50.1m in 1983-\$4).

On the downgrading, the shares dropped 52p, or 23 per cent, to 173p, before recovering a little. Yesterday's news caused a further 15p fall to 170p.

Mr Mark Ellis, joint mentioned the dollar led to lower profits in translation from dollar export earnings.

The company also blames the disappointment on £4m of non-trecurring start-up costs involved with the new consumer electronics division.

Group turnover rose for the dollar led to lower profits in translation from dollar export earnings.

The company also blames the disappointment on £4m of non-trecurring start-up costs involved with the new consumer electronics division.

Group turnover rose for the dollar led to lower profits in translation from dollar export earnings.

**Chrysalis** 

on target

with £5.6m

bit happier."

The major problem for profits division, which made £53m prewas the translation effect of tax on turnover of £143.5m. currencies. The Turkish lira, Margins were slightly down on last year because of the costs of entry into new markets, especially in Continental Europe and

the UK.
Profits from textiles fell from 25.05m last year to £3.8m on sales £5.7m up at £33.9m. The mineral water bottling plant is now working at full capacity and contributed £1.9m of profit in 11 months. The electronics divi-sion, which makes colour tele-

cent, to 173p, before recovering a little. Yesterday's news caused a further 15p fall to 170p.

Mr Mark Ellis, joint managing director, said yesterday: "The question of brokers' circulars is one we've been looking at quite closely. Clearly we would prefer to be in a position where we come in above any forecast that may be around. We would like lower expectations so that when we deliver, people are a tronics division.

Group turnover rose 50 per cent at £137.2m) and audio equipment, made £19m on sales of £28.1m.

The company says that trade in the first few months of the courient year is up on the same period of 1984 and the Board "looks forward to a satisfactory only inched ahead from 48.7p to would like lower expectations so that the final net dividend solidate the development of its current year is up on the same period of 1984 and the Board board to a satisfactory only inched ahead from 48.7p to solidate the development of its current year is up on the same period of 1984 and the Board board with the final net dividend solidate the development of its current year is up on the same period of 1984 and the Board board with the final net dividend solidate the development of its current year is up on the same period of 1984 and the Board board with the final net dividend solidate the development of its current year is up on the same period of 1984 and the Board board with the final net dividend solidate the development of its film on sales of £28.1m.

The company says that trade in the first few months of the current year is up on the same period of 1984 and the Board board with the final net dividend solidate the development of its film of the film of the continuing to constitute the film of the film of the film of the film of the company says that trade in the first few months of the current year is up on the same period of 1984 and the Board board with the film of the film of the film of the film of the film of the film of the film of the film of the film of the film of the film of the film of the film of the

# Monks & Crane joins USM with £10m value

Monks & Crane, distributors of industrial consumables, engineers' tools, and safety equipment, is forming the USM with a value of £10.2m.

Albert E. Sharp is placing 3.8m shares at 77p, representing 29 per cent of the enlarged equity. About 2.6m of the shares are being sold on behalf of existing shareholders, with the remainder sold by the company to raise £300,000 after expenses.

The company, which was estab-THE Chrysalis Group which came to the market last July via a merger with Management Agency and Music, has returned profits slightly ahead of its prospectus forecast

On a pro-forma basis, taking in MAM's results for an 11-month period, the record company turned in pre-tax profits of £5.6m for the year to June 30 1988, against its earlier estimate of £5.5m.

For the 11 months to end-June MAM's proths dived to £874,805 (£1.83m for year). The figures were hit by disappointing trading results from the Research Recordings and Minns and Crane operations. The hotels and amusement machine activities met their profit targets.

Included in MAM's results were extraordinary debits of f1.60m relating to the Gilbert O'Sullivan settlement and closure costs associated with discontinued activities.

The results of the Chrysalis Group comfortably exceeded pre-vious forecasts and more than made up MAM's shortfall.

Almost 95 per cent of the 4.3m shares offered for sale by the Chrysalis Group were left in the hands of the underwriters.

Since the buyout, however, profits have risen from £405,000 in 1984 on sales of £17.7m, to £706,000 in the six months to September 1985 on sales of £11.5m. The directors are forecasting profits for the full year of not less than £1.4m. Based on this forecast, the shares at the placing price are on a price/earnings multiple of 10.6 times. Assuming a dividend of 2.7p. the forecast yield is 5 per cent.

Dealings in the shares begin n December 9.

Tan Sri Khoo lifts

to raise £800,000 after expenses.

The company, which was established in £850, was owned by Thorn-EMI from £968 to £983, when it was bought out by 46 members of senior management with the help of Sharo Unquoted Midland Investment Trust.

Following the buyout, the management embarked on a programme of rationalisation, closing branches and reducing staff levels. It has subsequently acquired two related distribution businesses: it bought Hunter Group for £800,000 in £983, and Richard Lloyd for £740,000 in October this year.

The prospectus divides the stake in Exco Tan Sri Khoo Teck Puat, the Malaysian businessman who last month bought a large stake in the Exco International money broking group, has bought a further 500,000 shares taking his holding to 57.5m shares or 24.56

per cent of the equity. Exco clashed with Tan Sri

Khoo last week over his demand
for three boardroom seats,
including that of deputy chairman and member of the executive committee. Exco's shares,
which already include a large bid
premium were unchanged at
undervalued. premium, were unchanged at 217p yesterday.

1984

£262.6m +5%

+24%

+29%

5.15p +15%

£30.9m

Jeremy Stone looks at the planned formation of a £3bn heavyweight

# Why Imps wants to take the biscuit

IMPERIAL GROUP'S strategy, stated yesterday for the benefit of doubting shareholders, is to establish "an international branded packaged goods and consumer service company."

As announced last week, Imperial has decided to pursue this objective by merging with United Biscuits, a transaction intended to create a grouping with annual sales of £6bn split between tobacco, brewing and

The offer values UB at some £1.3bn and the combined group at more than £3bn.

Viewed in the City as a merger based largely on the defensive needs of the two companies, the deal is presented by the two managements as the result of industrial logic.

industrial logic.

United's chairman, Sir Hector
Laing, says that in a world where
the large food combines are
getting larger — backed by the
cash resources of very large rich
partners like the US tobacco
giants, R. J. Reynolds and Philip
Morris—it is not good enough to
be "a minnow:" in order to compete, internationally "each company had to get bigger."
For Imperial, the merger with
UB would solve a longstanding
problem—that of reducing its
dependence on the profitable but
declining UK tobacco market.
On the pro-forma basis of last

On the pro-forma basis of last year's figures for United and Imperial combined, Imperial would reduce its tobacco profits from 49.5 per cent of the total to exactly one-third. Food, considered to be a

growth area—and safer from attack by the health lobby— would move up from 14 to 41 per cent; the balance is made up of Imperial's brewing and leisure interests, excluding from both figures the impact of Howard

figures the impact of Howard Johnson, Imperial's ill-fated US acquisition which was finally disposed of last week.

Underneath this array of complementary objectives, City observers argue that the two companies are looking to their union for rather different things. Imperial has been the perennial favourite for a hostile takeover with the name of Lord Hanson the most recurrent among rumoured bidders.

Its management has spent the Its management has spent the last five years coming to grips with a confused and ill-assorted portfolio of businesses, which it



chairman

Fre-tax profits **Employees** TOBACCO & CONFECTIONERY: Players and Embassy cigarettes. Golden Virginia and St Bruno tobaccos, Famous Names Liqueurs.

FOODS: Ross frozen foods, Youngs seafoods, Golden Wonder crisps. HP and Daddies sauces. BREWING: Courage beers and pubs, John Smith's beers, Harp lager. RESTAURANTS HOTELS, SHOPS:

Anchor Hotels, Harvester steak houses, Happy Eater restaurants,

BISCUITS & CONFECTIONERY: McVities, Ry-King, Crawford's, Macfarlanes, Macdonalds, Carr's biscuits; Terry's chocolates. SNACK FOODS: KP snacks and

£1.74bn (to 29.12.84)

£87,2m

PROZEN FOODS: McVities.
RESTAURANTS: Pizzal Wimpy. US: Keebier cookies and cracke



Sir Hector Laing, chairman of United Biscuits

would make Imperial rather branding at the end of the less liable to be taken over, century (a throw-away remark either as a cash generator or as an asset play.

a project to link Australia and an asset play.
United Biscuits has itself been

United Biscuits has itself been the subject of some takeover talk, but the motives of its management for going into this deal are primarily aggressive.

a project to mix Austrana and Europe in under an hour via ultra-high speed air transport). That approach has made UB extremely hungry for cash, as deal are primarily aggressive.

before long to take over the key positions in Imperial's densely populated boardroom. Although Mr Geoffrey Kent, Imperial's chairman, is only a year older than Sir Hector, it

HOW THEY COMPARE

€220.Am

MAJOR INTERESTS

'In a world where the large food companies

are getting larger, backed by the cash resources of very rich large partners, it is not good enough to be a minnow: in order to compete internationally each company had to get bigger'-Sir Hector

heavily in new markets and products, particularly in the US, where its Keebler subsidiary has a significant share of the highly competitive cookie market.

It currently has plans to invest the Read China and Sir

issues testifies. For UB, the Imperial tobacco business would be tailor-made as a soure of cash to finance its growth ambitions.

a signmeant snare of the highly competitive cookie market.

It currently has plans to invest by means of a favourably in Brazil and China, and Sir Hector spoke yesterday of having his eye on truly world-wide entered into the equation.

is that of heir-apparent. Similar plans seem to hold in respect of the two finance directors.

From UB's point of view, the deal can be represented as an attractively priced reverse takeover, in which shareholders are to receive a premium while their management takes control.

That is to say nothing of the

substantial "golden greeting" to be received by UB directors when they cash in their existing share options, on the way over to take on the problems of managing Imperial.

There is a decided possibility that the transaction may be frustrated by a reference to the Monopolies Commission, presun-Monopolies Commission, presum-ably based on the large com-bined share of the snack food

market.

It also remains on the cards that one of the many companies to have run its computers over Imperial will, at the last gasp, find it impossible to let the opportunity slip away.

But without either of these hindrances, objections from the institutional shareholders of Imperial are not to be ruled out. Analysts of the two groups were saying yesterday that Imperial shareholders faced earnings dilution of about 15 per cent (looktion of about 15 per cent (looking at pro-forma 1986 earnings).

But to be taken over by an aggressive cash-hungry and aggressive cash-nungry and smaller company, the mutterings went, usually requires a premium; the deal remains to be approved by the shareholders, many of whom were hoping for more, in cash that they could reinvest The betting in the City last

night was that this merger might be lucky to go through without

# October this year. The prospectus divides the trading record into two distinct periods: before and after the buyout. The first period shows the group falling from profits of £290.000 in 1981 to losses of £283,000 in 1983. a year which bore the bulk of the restructuring costs. Minihouse share dealings An all-paper takeover of UB start on Amsterdam SE BY CHARLES BATCHELOR

DEALINGS start today on the Amsterdam Stock Exchange of shares in Minihouse, the Dutch computer systems group which is traded in London on the overthe-counter market managed by Cranville the licenced deposit Granville, the licenced deposit

This will be the first time that a share has been traded simul-taneously on the Granville OTC market, which operates on a matched bargain basis, and an overseas stock exchange.
Granville does not make a liquid market in the companies listed on its OTC. but matches bargains on an individual basis and with the aim of not allowing shareholders, hostile to the company management, to

company magazine stakes.

Argyll Group ......int, 2.65

acouire stakes.
Mr David Metter of Granville said: "Amsterdam is a more liquid market and will take the lead in setting the Minihouse price initially. Our market effectively ceases to be on a matched bargains basis since we can put a deal through Amsterdam instantaneously."

Granville believes the Mini-house move prompted Dutch institutions to ease their require-ments on companies seeking capital and stimulated the growth of the Dutch Parallel Stock of the Dutch Parallel Stock Market, roughly equivalent to London's Unlisted Securities Market.

Dealings in Minihouse on the Granville market were suspended at 570p. Minihouse is offering 800,000 shares at a minimum tender price of Fl 20 (£4.77p) in Amsterdam. Half of these shares are new with the other half coming from Mr Theo Mulder and Mr Klaas van der Heide, joint executive directors (120,000 shares each) and from Holland Venture, a venture capital company (140,000 shares). Dealings in Minihouse on the

an put a deal through Amster-am instantaneously."

Minihouse is forecasting a pre-tax profit of Fi 5m (£1.19m) for The listing of Minihouse on 1985, against £1m for 1984.

# FKB expands to £0.6m and confident of growth

Profits, before tax, of FKB Group, USM-quoted sales promotion agency, expanded from \$391,000 to \$603,000 for the six months ended September 30 1985, directors are confident that growth will continue during the second half of the year.

FKB, which came to the market in July with a placing of 1.79m shares at 1400 each produced a tax was selected in line with forecast that the group was the companies continued at similar levels to 1984, but the percentage contribution to group turnover and profit was reduced in line with the forecast that the group was

shares at 1409 each, produced a turnover for the six months of £4.21m (£3.53m). After tax of £553.00 against £173.000, earnings are shown as 3.6p compared with 2.4p previously.

The directors say that the increased profitability in the period was because of the higher percentage of fee income in the turnover mix.

the forecast that the group was moving towards a greater spread of large accounts, the directors

64.21m (£3.53m). After tax of £253,000 against £173,000, earnings are shown as 3.6p compared with 2.4p previously.

The directors say that the increased profitability in the period was because of the higher percentage of fee income in the furnover mix.

They add that the expenditure of large accounts, the directors state. The company is in dispute with a client on one of its current projects. The clients' contribution to that company's profits was about 5 per cent for the period. The directors state that present advice is that if any proceedings are commenced they are unlikely to succeed.

# C & W share details today

THE FULL details are likely to be published today of the near filbn offer for sale of shares in Cable & Wireless, the rapidly growing telecommunications telecommunications was given by J. Henry Schroder Wagg, Kleinwort Benson, County

group.

The City is expecting the issue to be priced at a discount of about 6 per cent to the exist. ing share price, which closed yesterday at 613p, down 22p, yesterday at 613p, down 22p.

The issue, which will be the second largest ever sale of shares after British Telecom, will consist of 150m shares, 50m of which will raise more than 5300m for the company via a rights issue, and the balance will be made up of the Government's remaining 22.7 per cent stake in the group.

The offer contains a novel clawback feature, whereby if the issue is heavily over-subscribed, a larger portion (up to two-thirds) will be made avail-

The issue has been under-written by J. Henry Schröder Wagg, Kleinwort Benson, County Bank and Morgan Grenfell.

Wistech moves ahead An increase from £261,020 to £309,286 in pre-tax profits is reported by Wistech, specialist inductrial and environmental services, for the year to Sentember 30, 1985. The directors say the pre-tax profit achieved for the year shows that the impetus reflected in its first year of trading has been maintained, and they look forward to continued growth.

Turnover during the year rose from £3.9m to £5.21m, and operating profits increased from £249.073 to £332,611.

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange.

**DIVIDENDS ANNOUNCED** 

# Whitbread **Investment Company**

Issue by way of placing of £15,000,000 7 to 12 percent. at £95.543 per £100 nominal payable in full on accep

ion has been made to the Council of The Stock Exchange for the whole of the above Stock to be admitted to the Official List. In accordance with the requirements of the Council of The Stock Exchange,  $\Omega_{1}$ ,500,000 of the Stock is available in the market on the date of publication

Listing particulars of the Stock will be circulated in the Extel Statistical Services and copies may be obtained during usual business hours on any weekday (Saturdays excepted) up to and including 16th December

and until 5th December 1965 for collection only, from the Comp The Stock Exchange, Throgmoston Street, London EC2P 2BT. 3rd December 1985

# Granville & Co. Limited

8 Lovat Lane London EC3R 88P Over-the-Counter Market

							P/1	E
Res_L	•				Gross	Yield		Fully
148	Low 121	Company	Price C	hange	div. (p)	% .	Actual	tsxed
151	128	Ass. Brit. Ind. Ord	121xd	_	7.3	8.0	7.4	6.9
77	43	Ass. Brit. Ind. CULS	128	_	10.0	7.8	_	_
46	26	Airsprung Group	63	+1	6.4	10.Z	10.5	13.7
167	102	Armitage and Rhodes	41		4.3	1Q.5	5.7	5.7
64	42	Bardon Hill	167xd	+1	4.0	2.4	21.1	22.0
201	144	Bray Technologies	53	_	3.9	7.4	6.5	7.5
152	103	CCL Ordinary	144		12.0	8.3	3.5	3.3
130	10	CCL 11pc Conv. Pf Carborundum Ord.	103	_	15.7	15.2	_	_
100	83	Carporundum Ord	120xd	-	4.9	4.1	5.9	9.3
94 73	46	Carborundum 7.5pc Pf.	94	_	10.7	11.4	_	
. 32	21	Deborah Services	58	-1	7.0	12.1	6.0	7.8
83	33	Frederick Parker	<u>21</u>	_	_	_	_	
50	20	led Bresisian Continue	72	_	-	_	2.9	5.3
218	177	Ind. Precision Castings	50xd	_	30	6.0	13.2	11.0
124	707	Isis Group	180	_	15.0	83	13.8	20.7
285	213	Jackson Group	110xd	_	5 6	5.0	7.4	7.4
95	83	James Burrough	278.d	-4	150	5.4	8.8	8.8
95	71	James Burrough SpcPf,	95		12.9	13 6	-	
225	100	John Howard and Co.	79.d	_	5.0	6.3	6.3	9.9
100	90	Linguaphone Ord.	1805	-	_	_	6.6	6.9
650	300	Linguaphone 10.5oc Pt.	90s	_	15.0	75.7	_	_
120	31	Minihouse Holding NV	5706	_	69	1.2	24.9	23.7
	28	Robert Jenkins	70			_	9.0	20.0
60 92		Scruttons 'A'	31	_	_	_		7.9
	61	Torday and Carlisle	67	_	5.0	7.5	3.4	6.1
444	320	Trevian Holdings	330	-	4.3	1.3	18.8	18.4
40	27	Unllock Holdings	40	_	2.1	53	10.5	10.6
122	81	Walter Alexander	121	_	8.6	7.1	5.8	8.3
247	195	W. S. Yeates	200	_	17.4	8.7	5.7	9.8

s = Suspended.

Turnover

group operations.

acquired in 1984.

soap and packaging plants.

Profit before tax

Earnings per share

Total dividend per share

PATERSON ZOCHONIS PLC. BRIDGEWATER HOUSE, P Z 60 WHITWORTH STREET MANCHESTER MI 6LU. Africa - United Kingdom & Europe - Australia & Far East

1985 profits highest so far achieved

Summary of Results Year ended 31st May 1985

£276.6m

£38.6m

38.61p

5.90p

1984-85 Highlights: The record profit level achieved in 1985 reflects

a satisfactory improvement in the performance of most major areas of

programme in 1984, Nigeria's results benefited from the first full year's output of the new detergent plant and increased production from the

Following the completion of the £100 million capital expenditure

Profits from the Cussons group worldwide improved and the U.K.

companies increased their share of the soap market. In Australia previous

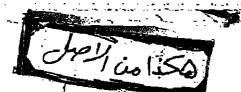
market share gains were maintained despite increased competition.

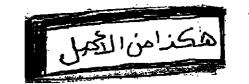
Kenya benefited from the first full year's production of the soap factory

Current Year: Most group operations have made a satisfactory start to

the year and, subject to unforeseen circumstances, profits of the first

half year should be comparable with the same period last year.





This advertisement is published by Hill Samuel & Co. Limited on behalf of Elders DXL Limited ("Elders") and IXL. The Directors of Elders and IXL are the persons responsible for the information contained in this advertisement. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this advertisement is in accordance with the facts. The Directors of Elders and IXL accept responsibility accordingly.

# Allied-Lyons'share of the ice cream market in Great Britain seems to be melting away.

A recent Allied-Lyons advertisement brags about minor inroads in the US ice cream market. But here in Great Britain the indications are that Lyons Maid's share of the take-home ice cream market melted away by nearly one quarter between 1981 and 1985. Also the indications are that Tetley/Quick Brew tea bags lost over 20% of their market share over

tea bags lost over 20% of their market share over the same period and Lyons ground coffee lost a similar proportion between 1982 and 1985. We're not suggesting these are bad products. We're suggesting that they suffer from being part of the disparate collection that Allied-Lyons calls its Food Division, a division we feel has not provided the marketing support needed to keep up with the competition.

We don't believe that's the fault of individual managers.

We believe it's the fault of an obsolete top management structure.

Hardly what we'd call flavour of the month.

# LOOK AT BOTH SIDES. THEN DECIDE

Source British Market Research Bureau Limited: Target Group Index. Brand share estimates are calculated by using data from the survey which combines weight of usage with Most Often usage. This index of the same between the two periods. April 81 - March 82 and April 84 - March 82 and April 84 - March 82 and April 84 - March 82 and April 84 - March 82 and April 84 - March 82 and April 84 - March 82 and April 84 - March 82 and April 84 - March 82 and April 84 - March 82 and April 84 - March 82 and April 85 - March 82 and April 84 - March 82 and April 85 -

# Elders offer 'frivolous' says Allied

BY MARTIN DICKSON

Aliled Lyons, which is fighting a fl.8bu takeover, bid from Elders IXL, yesterday attacked the Australian group's offer as "frivolous" and said Elders was "frivolous" and said Elders was "not suitable" to be the owner of the food and drinks group. In its formal defence document, Allied argued that Elders "has given no meaningful assurances to our employees, its management is inadequate, it is offer of cash or loan gottes."

Sir Derrick Holden-Brawn, Allied's holden-Brawn, Allied's holden-brawn, and an excellent record againgt, a focus on the interconnected food drink strong on one thing only—grossly bring on one thing only—grossly in extravagent ambition, which, despite its bragging, is not supported by its own resources."

Elders offer, of 255p a share, was completely unacceptable, when measured against each of the most important investment varieties of capital value, earnings and dividends.

He argued that Allied was a "not very successful UK drinks industry through the UK drinks industry through the UK drinks industry through the strvage on one thing only—grossly in extravagent ambition, which, despite its bragging, is not supported by its own resources."

Elders offer, of 255p a share, was completely unacceptable, was completely unacceptable, when measured against each of the most important investment varieties of capital value, earnings and dividends.

Allied's shares closed last ingon the record and its ultimate that allied would continue to be a strong on one thing only—grossly through the UK drinks industry through the uniteduction of new travegents ambition, which, despite the strong on one thing one of story special by its own resources.

Elders offer, of 255p a share, was completely unacceptable, and increased choice and

Allied's chairman, said the group management, a focus on the had an excellent record over the inter-connected food, drink and past five years, with pre-tax profits growing from £112.4m to £219m and earnings per share showing a compound annual growth rate of 13 per cent. The group's recently announced interim results had shown accelerating progress, with pre-tax profits up 22 per cent to £122.6m.

single premium business more than doubled to £224.9m.

than doubled to £224.9m.

Strong growth in pension business in the UK more than offset a dull period for life sales. New annual premiums on industrial premiums on industrial.

Standard Life sales up 66%

Allied document for failing to address a lot of the very hard questions we have raised about their performance." Elders, meanwhile, yesterday

distributed to journalists and selected Members of Parliament a document spelling out reasons why it believed its bid should not be referred to the Monopolies Commission.

and the impact on the rest of the group would be "negligible." "Our overail strategy, our plans for Allied and the effects of the merger in the market isistributed to journalists and place will revitalise both the brewing and wines and spirits document spelling out reasons of the brewing and wines and spirits divisions. Through improved prospects for competition, employment initiative and more commission.

Elders said it believed that it

# Saatchi stake boosts Wire and Plastic price

THE SHARES of Wire and Plastic Products, a small Kent manufacturing company, leaped 70p to 290p yesterday following an announcement that Saatchi and Saatchi, the fast-growing advertising agency had taken a 10 per cent stake in its

equity. Wire and Plastic, which changing its name to WPP Group, also announced its first move out of its traditional activities with the purchase of VAP Group, a graphics company which makes material for consumer user guides, for up to £2m in shares. Mr Martin Sorrell, finance

director of Saalchi, and Mr Preston Rabl, a partner in stockbroker Henderson Cros-thwaite, took a stake in Wire and Plastic in May with the aim of extending its activi-

ties, They bought 1.36m new shares for £515,000 in a move of the enlarged equity and Mr Rahl joined the board. Wire and Plastic makes industrial wire and sheet metal products and alu-minium kitchenware and tableware

It has formed a subsidiary, Rasor, to spearhead its move into the services area. Oxford, had sales of £3m in the 18 months ended January 1985 and net tangible assets of £275,000 at that date. It produces user guides for Austin Rover, Black and Decker, Oxford University

Press and Rank Xerox.
The purchase price will be hased on seven times the average after-tax profits of VAP for the three years ending January 1990, with a maximum of £2m.

Wire and Plastic will issue 550,000 new shares at 205p each to Saatchi—10 per cent of the enlarged equity—to be held as a long-term investment. Mr Sorrell will join the WDP heard

St. Ives document Banker N. M. Rothschild, acting on behalf of \$5 lives Group, yesterday sent out the formal offer document for Richard Clay. Under the terms of the agreed offer of 44 new shares in \$5 lives for every 100 shares in Clay or a cash alternative of 190p a share, acceptances should be received by December 23.

# Circaprint dividend

Although 1984-85 pre-tax profits showed a reduction from £650,000 to £635,000, the directors of USM quoted Circaprint Holdings, maker of plated through hole circuit boards, are raising the net dividend from 0.7p to 105n per share.

BUOYANT new life and pension sales in the 12 months to November 15, 1985 is reported by Standard Life Assurance Company, Scotland's largest life company, with total new money received during the period up by more than two-thirds to £321.9m.

In the UK, new annual premiums on ordinary life and individual pension business rose 16 per cent to £97m, while single permium business more in the period ahead of the Budget market.

Annuity sales rose two and a half times to £69.8m, but there was a drop of a fifth to £6.1m on annual premiums for other this growth.

In contrast new annual premiums of annual premiums on mortgage endowment business dropped by a fifth to £39.2m, reflecting high interest rates and a quiet house premium of £4.1m. Some 75 interest rates and a quiet house market in the first supplies the period ahead of the Budget market.

Annuity sales rose two and a half times to £69.8m, but there was a drop of a fifth to £6.1m on annual premiums for other business.

The company put on 435 new group life and pension schemes during the year with annual premiums of £4.1m. Some 75 interest rates and a quiet house market in the first supplies the period ahead of the Budget market.

Annuity sales rose two and a half times to £6.8m on annual premiums of a fifth to £6.1m on annual premiums of a fifth to £321.9m.

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The UK, new annual premiums of a fifth to £39.2m, reflecting high premiums of £4.1m. Some 75 interest rates and a quiet house market in the fifth business. this growth.

In contrast new annual premiums on mortgage endowment business dropped by a fifth to £39.2m, reflecting high interest rates and a quiet house purchase market in the first half of the year. Sales rose sharply in the second half, and at the year-end business was running in line with 1984 results.

Sales of linked contrasts and life business.

The company put on 435 new group life and pension schemes during the year with annual premiums of £4.1m. Some 75 new managed funds were set up.

In the Republic of Ireland new annual premiums rose by half to £2.4m and single premiums by 60 per cent to £187.4m.

offset a dull period for life sales. New annual premiums on individual pensions almost doubled to £46.6m, while single premiums were up by more than 80 per cent to and single premiums almost doubling to £97.7m, in a year Most of the growth came in of growing competition from by three-quarters to C3144.4m.

This announcement appears as a matter of record only.



# LIBRA BANK PLC

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POSTEL INVESTMENT MANAGEMENT LIMITED

in association with Fulton Packshaw & Company Limited

October 1985

# lifted 50%

the net dividend from 0.7p to 1.05p per share.
They say the 50 per cent dividend increase is in view of their confidence in the group's future. Circaprint has seen an encouraging start to the current year, with both order intake and sales running at a higher level than last year.
Turnover for the year to August 31 1985 increased from £6.26m to £7.35m. An increase in market share was due to new business gained resulting in a

in market share was due to new business gained resulting in a broader range of customers.

Operating profits advanced to £858,000 (£795,000) but interest charges were higher at £235,000 (£159,000) and related to the acquisition of the Exmouth factory and plant. There was a tax charge this time of £148,000 (nil) and stated earnings per 10p share were down from 12.3p to 9.3p.

9.3p. An extraordinary credit of f13,000 (£433,000) represented a gain on the sale of the Gillingham warehouse.

GRANPIAN HOLDINGS has acquired Penfold Gold, a golf ball maker, for £855,000. Some £600,000, of this is through the allotment to the main sellers of £357,146 ordinary shares in Grampian, and the rest is in cash. The acquisition will complement Grampian's Ben Sayers golf club manufacturer. golf club manufacturer.

# **BOARD MEETINGS**

The tollowing companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not evaleble as to whether the dividends are interims or finals and the subdivisions shown below are based
mainly on last year's timetable.
Interims:—Atkins Brothers (Hotiery).  Birmingham Miss. Brunning. CH Indus-

d k	FUTURE DATES	
	Interime:—	D
ly	British Steam Specialties	Dac
8	Caffyns	Dec
٥t	F and C Alliance Investment	Dec
ŝ	Fine Art Developments	Dec
<b>5</b> -	Haziewood Foods	Dec
ď	Investment Co	Dec
_	NESCO investments	Dec
	TR North America Invest. Tst.	Dec
١.	West's Group International	Dec
8-	Finals:	_
<b>)</b> -	Associated Paper Industries	Dec
<u>-</u>	Carr's Milling Industries	Dec
n	NSS Newsegents	Dec
	Plaxtone (GB)	Dec
	Saatchi and Saatchi	Dec
-		
	Tate and Lyle	Dec
_		_
_		

# EVANS OF LEEDS PLC

Property Investment Group

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30th SEPTEMBER 1985

Total revenue	30/9 3,862,
Net revenue after interest and other charges Taxation at 40% (1984~45%)	
Profit attributable to shareholders	1,358.
Earnings per share	4
The dividend will be paid on 10 Janu	iary 1986

STANDARD BANK IMPORT AND EXPORT FINANCE COMPANY LIMITED

30/9/85 3,862,963

1,358,665

30/9/84 3,289,428

1,105,722

3.37p 1.375p

November 25, 1985 to May 26, 1986, the rate of interest has been fixed at 8 3/8 % P.A.

\$US 75.000.000

FLOATING RATE NOTES DUE 1991

The interest due on May 27 1986 against coupon nr 3 will be SUS 425.73 and has been computed on the actual number of days clapsed (183) divided by 360.

THE PRINCIPAL PAYING AGENT SOCIETE GENERALE ALSACIENNE DE BANQUE 15. Avenue Emile Reuter LUXEMBOURG

# Weir Group launches an £18m bid for Yarrow

Weir Group, the Scottish engineering company, yesterday launched a takeover bid for its Glasgow neighbour Yarrow. Its uniquely-structured offer puts a basic value of £17.8m on the marine engineering group but shareholders would also receive 70 per cent of any compensation won by Yarrow over the nationalisation of its ship-building interests.

ng interests. later this week to consider its response. But Mr J. E. Boyd, the chairman, said yesterday: "I believe that we will vigorously resist this attempt to selze control. Loss of independence would be detrimental to our principal business of maritime consultancy and research."

weir already holds a 28.2 per cent stake in Yarrow. It acquired 25.2 per cent in August last year from Vosper, the ship-building company which, together with Yarrow, saw its naval shipbuilding and repairs activities nationalised in 1977.

Yarrow is seeking additional compensation for the nationalisation at the European Court of Human Rights. The Weir bid has been structured to accomodate the outcome.

For every two Yarrow shares, Weir is offering seven of its

The Yarrow, up 15p on the day.

Weir at 500p, up 15p on the day.

Weir and YARD in particular. Their proposal to withhold from shares pumps, and process plant an

Weir Group, the Scottish ingineering company, yesterday aunched a takeover bid for its liasgow neighbour Yarrow. Its liasgow neighbour Yarrow. Its asic value of £17.8m on the tarine engineering group but tareholders would also receive per cent of any compensation on by Yarrow over the itionalisation of its ship-builder interests.

The Yarrow board will meet or this week to consider its own shares plus 320p in cash or an equivalent nominal amount these assets nationalised in 1977. It has two main operations, YARD, a specialist engineering YARD, a specialist engineering company engaged in naval architecture and marine engineering shareholders. B' floating rate notes 1989-1993 with a nominal value of 20p. If Yarrow receives value of 20p. If Yarrow receives value of 20p. If Yarrow receives value of 20p. If Yarrow receives that pre-tax profits of £1.53m in the year to June on turnover of the deducting any taxes, and expenses payable by Yarrow.

in addition, it is offering shareholders "B" floating rate notes 1989-1993 with a nominal value of 20p. If Yarrow receives turther compensation before July 31, 1992, 70 per cent of the value of the award would be added to the "B" notes, after deducting any taxes and expenses payable by Yarrow.

If no compensation is received, the offer is worth about 46p for each Yarrow share, based on Weir's closing share price last night of Sip, down 21p.

However, that is well below the Yarrow share price, which closed last night at 500p, up 15p on the day.

Weir, which employs more than 4,000 people, makes pumps, steel castings and process plant and has a growing engineering services business. After plunging into loss in 1980, it has recovered to record pre-tax profits of £6.85m last year.

It coupled yesterday's bid with

### COMPANY NEWS IN BRIEF

### RESULTS

TR NATURAL Resources Investment Trust increased total revenue by nearly 21 per cent in the six months to September 30 1955 from £2.27m to £2.74m. Earnings per share rose 16.8 per cent from 4.05p to 4.73p and the dividend is unchanged at 3.4p net. However, net asset value per share fell to 278.4p (317.1p). US dollar loans and other interest accounted for £268,000 (ni).

COLE GROUP, the plastic and electronics company facing a f7.8m take-over bid from Low and Bonar, is revising upwards its estimate of f900,000 pre-tax profit for 1985, to a figure in excess of flm.

The company's official rejection document of the Low and Bonar bid also stressed that it is on the verge of selling its Cole Plastics subsidiary—for a sum in the region of £5m—to a European company.

RODIME. Scottish-based maker of Winchester disk drives, returned fourth quarter pre-tax profits of £3.64m (£3.88m) which left the total for the year to September 30-1965 at £14.85m. against £11.8m. Net sales for the final quarter totalled £20.02m (£15.33m) lifting the year's total to £75.91m (£49.44m). Earnings per share for the 12 months amounted to 115p (92.2p).

**DUNDEE** and London Investraised revenue in the year to October revenue in the year to October 31 1985 from £1.2m to £1.42m. Net asset value per share rose from 203p to 225p. Earnings per share were 5.62p (4.79p). Interest on short-term deposits. rose to £259,306 (£103,661) and parable figures. underwriting commission was £15,742 (£6,589). A final dividend of 34n is being recommended. making 5.4p (4.7p) for the year.

SHEFF ILLD BRICK showed losses of £12,000, against a £1,000 profit for the first six month of 1985. Turnover was down from £1.45m to £1.22m and the loss was struck after interest charges lower at £29,000 compared with £44,000. There was again no tax. There were extraordinary credits

SIMS CATERING BUTCHERS, one of this year's USM recruits, reports sharply higher taxable profits of £326,000, against £198,000, for the six months to end-September 1985. Turnover rose from £1.67m to £4.18m, and earnings per share were 4.69p (4.1p). An interim dividend of 1.2p (nil) is being paid.

Turnover for the six months to October 2 1985, was higher at 18m, against 17.16m, the main trading activities continue at a satisfactory level and progress

Investment Trust achieved net revenue of £180,369 for the period from February 12 1965, to September 30 There are no com-

DANIEL THWAITES' pre-tax profits in the half-year to September 30 1985 were reduced from £2.4m to £1.72m as a result of higher interest due to acquisition, modernisation of its Blackburn brewery and expenditure on its hotels. Earnings per share fell from 31.9p to 20.5p. The interim dividend is being held at 1.1p.

loss was £12,000 (profit £37.00) against £211,000, for the six months to end-September 1985.

The company, which is a builders' merchant and iron monger, last paid a dividend in 1981.

SIMS CATERING BUTCHERS, one of this year's USM recruits, reports sharply higher taxable profits of £326,000, against £198,000 for the six months to end-September 1985. Earnings per share rose from dividend is doubled at 7p. Net asset value per 25p share at 448.50 (414.8p). Net revenue increase reflected a rise in net liquid funds with a higher yield, and exceptional non-recurring professional fees last time of £251,264.

SCOTTISH and Mercantile Investment net asset value per share rose to 448.5p for six months ended September 30 1985, against 414.8p a year earlier. As at March 31 last the figure was 447.3p. Revenue was £555.210 (£211,131) after tax of £304.115 (£104,594). The interim diviednd is 7p (3.5p). Earnings per share are given as 10.31p (3.65p).

should be maintained during the second half, the directors state.

An unchanged interim divided of 1p is being paid. Earnings were 2.91p (2.64p) per share.

BIDS AND DEALS

Mercantile
set value per bution and financial services
\$8.5p for six group, has conditionally agreed
ember 30 1985, to purchase Saxon, which operare earlier. As the figure was business. Initial consideration
was £555,210
ax of £304,115 erim dividend conditional arrangements are beines per share inc made to place 349,583 shares. ing made to place 349,583 shares

is 7p (3.5p). Earnings per share are given as 10.31p (3.65p).

KLEEN-E-ZE HOLDINGS, energy saving devices, brushes and cleaning products maker, has improved interim profits from £104,000 to £166,000 before tax.

Turnover for the six months to October 2 1985, was higher at \$180,000.

PILKINGTON ACI. Australian subsidiary of Pilkington Brothers. cent of the parent group's assets.

WHITEREAD Investment Company bas purchased 9.97 per cent of Davenports Brewery, bringing of Davenports Brewery, bringing its interest to 1.45m ordinary shares (17.86 per cent). The shares were purchased from the Baron Davenports Charity Trust. BR STEAM Specialities is in "is with an unnamed party which may lead to the sale of its steel stockholding business, A. H. Allen. The prospective buyer is said to be a substantial group with significant interests in steel stockholdings.

1.1p.

DOMINO PRINTING has purchased the business and scottish & MERCANTILE certain assets of Chemelectron for £596,000 cash.

These securines having been sold, this announcement appears as a matter of record only



# EUROPEAN COAL AND STEEL . COMMUNITY

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Banca Manusardi & C. Banca Nazionale dell'Agricoltura Banca Popolare di Milano Banca Popolare di Novara Banca San Paolo-Brescia Banco di Napoli Banco di Santo Spirito Banco di Sicilia Cassa di Risparmio di Genova e Imperia Cassa di Risparmio di Roma Credito Commerciale Euromobiliare S.p.A. Nuovo Banco Ambrosiano

New Issue - October 29, 1985

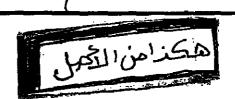
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£545,000,000,000

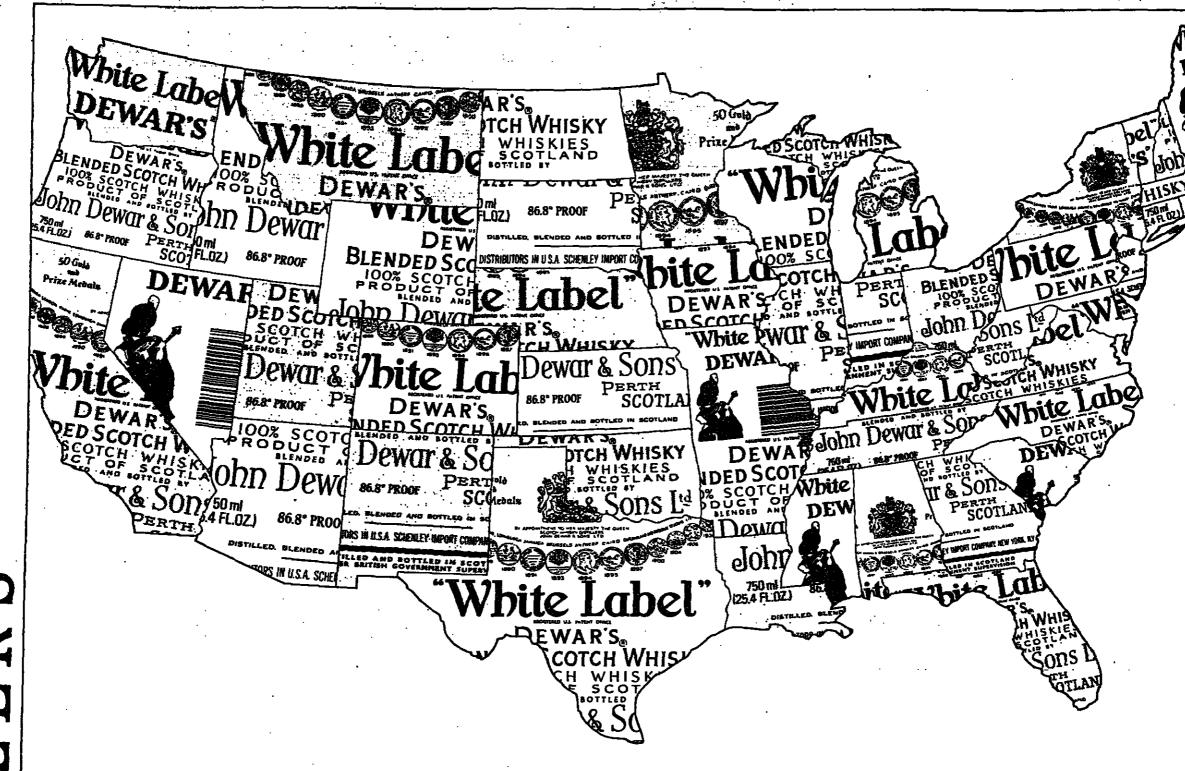
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These impressive international brands add up to a business which, in 1984/5 alone, netted us £473 million in export earnings, benefiting Scotland in the process. Successful brands don't develop by accident. The world market is a tough place where flair, innovation and tenacity are prime requirements.

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# DISTILLERS

THE NAME BEHIND THE WORLD'S LEADING BRANDS

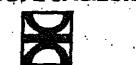
The Distillers Company plc, Edinburgh

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November 1985



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# All-round progress lifts Dominion profits to £5m

INCREASE in all three sectors of Dominion International Group have pushed taxable profits from 23.64m to £5.04m for the six months ended September 30 1885 and directors are confident of achieving record results for the full year.

In International Group its US subsidiary," Mr Lewinsohn states. Average net monthly production of oil rose from 7,335 barrels to 12,775 barrels, although gas production was fractionally lower. and directors are confident of achieving record results for the full year.

Basic earnings per 20p share are given as 7.5p (5.33p), and diluted 7.03p (4.94p), while the interim dividend is lifted from 2.2p to 2.5p—last year's final payment was 2.8p paid from profits of 59.26m.

ment was 2.8p paid from profit of 59.26m.

Turnover jumped from £17.46m sidiary which is developing to £47.36m for the half year and with pre-tax profits were split as to: property development £12.1m much of the increase in turnover." the chairman explains.

(£8.6m) and £1.37m (£1.28m); and minority interests, £878.000 (£5.66m) and £1.85m (£1.2m); and minority interests, £878.000 (£546,000) the attributable balance came through £1m higher at £3.45m.

and £2.36m (£1.47m).

Mr Max Lewinsohn chairman, says the commercial property emphasis continues to be on the "steady upgrading of the investment portfolio," and although the contribution from housing was disappointing, a more positive trend is emerging in the second half of the year.

A Expression surviving the profits

A 55 per cent surge in profits to £1.8m at Southwest Resources reflecting a " substantial increase

Mr Lewinsohn says that the lease purchase and consumer finance businesses are growing strongly while, the Hong Kong financial and management subsidiaries made their first full contribution

It is a little irritating to find these otherwise good figures marred by the inclusion of a spurious £20m of turnover from inhouse financial futures dealing on which the turn, a modest £200,000 or so, made not much difference to the interim outcome. It is tempting to suggest

# that Dominion really has a turnover of £37m on which it made £4.8m before financial items. When (and if) Dominion begins to handle other people's money on these markets then the fee income from so doing will rightfully be revenue from a service. The oil side is now concentrated in the US following the sale by Southwest Resources (59 per cent owned) of its stake in North Sea block 44/23 for a gain of some £5m. This will be taken next year so as to smooth out the profit's This will be taken next year so as to smooth out the profit's curve. With oil prices firming of late in the US, Dominion can expect the second half to show good gains thanks to the 75 per cent increase in production. Only the property side remains a little flat with income from the commercial portfolio outdoing that on the housing front (where there were 135 completions in the half). The M25 could see this division begin to grow more strongly, as will the move up market in price terms. For the year expectations are for fil.5m, which has the shares surely undervalued at 109p, up 7p, on a Bermuda-aided tax charge of 15 per cent, on a prospective multiple of 5 (before conversion).

comment

FKI Electric is one of those com-panies that specialise in turning around loss-makers or in extract-

around joss-makers or in extracting the best out of the cast-offs from a major group. To date this strategy has been successful and there is no reason to doubt that the four units bought for £6.8m from TI recently will not soon join the others in the profits takes once margin growth has

# FKI advances 70% to £2.6m

FKI Electricals is looking for another strong result for the full year after a half-year which has seen pre-tax profits rise by 70 per cent from £1.51m to £2.56m.

cent from £1.51m to £2.56m.

Turnover for this electrical and electronic engineer, in the six months to October 5 1985 rose 44 per cent from £8.32m to £12.05m. The directors say all divisions have performed well, but sales in the electromechanical division have been very buoyant, particularly the Zodian photo electric controls for street lighting, which are up 45 per cent. FKI-Metamec, the watchmaker

FKI-Metamec, the watchmaker acquired last year from the receiver, has been rebuilt, directors say and now supplies clocks to Marks and Spencer.

In April f7m was raised through a rights issue which was used to finance six acquisitions. The company intends to keep horrowings low to give it the flexibility to take advantage of acquisitions opportunities.

Earnines per share have risen

nearly 14 per cent in the period under review from £1.54p (adjusted for the rights issue) to 1.75p. This growth is expected to accelerate in the second half as the £7m held in deposit since April her hear resingered. April has been reinvested. Burndept, the company acquired in 1984 which supplies

acquired in 1984 which supplies police communications equipment to the Home Office. has had a very successful six months, directors say. A substantial number of new products has been submitted to the Home Office for testing, however bulk orders have been delayed due to the size of the testing. The company is confident that Burndept will achieve its budget for the financial year.

An interim dividend of 0.275p (0.225p) is being paid.

The recent two smaller acquisi-The company intends to keep thors are expected to make an impact on profits in the second half, while the four TI companies acquired are expected to to contribute next year.

238,000. against a previous 238,000. The directors are currently seeking opportunities to develop and strengthen the group further. They hope the year's results will

soon join the others in the profits stakes once margin growth has been ensured by the trimming of costs and streamlining of management that is FKI's speciality. The new purchases should also give some useful tax cover for second half earnings before they start, and this has to be next year rather than this, to contribute the £2m or so to pretax profits forecast at the time of the acquisition. On a 25 percent tax charge for the year and on forecast pre-tax profits of

on forecast pre-tax profits of 55m, FKI's shares at 541p, up 11p, are on a prospective multiple of 15. Which seems about right if the Evered comparison means anything.

Lynton Hldgs.

A sharp rise in income from investment properties enabled Lynon Heldings to lift its pretax profits from £702,000 to £929,000 over the first six months to September 30 1985.

to September 30 1985.

During the period the Lyn
Town associate experienced an
encouraging improvement in
letting activity and it is anticipated that this company's losses
for the full year will be less than
there of the previous year

Gross rental income for the first six months of the current year pushed ahead from £1.91m to £2.49m—the group's activities are property investment and development.

Income from investment properties came through at £1.86m, compared with £1.44m, but profit from property trading fell from £69,000 to £3,000 and interest received from £190,000 to £142,000.

Interest charges rose by £93,000 to £570,000 and administration costs by £99,000 to £518,000.

nears £1m

# **Reconstruction continues** to pay off for B. Priest Pre-tax profits benefited from lower interest charges of \$259,000, against a previous

THE Benjamin Priest Group has continued to benefit from its reconstruction and with steady progress maintained at all divisions, profits before tax rose from £4,000 to £429,000 in the half year ended September 27 1985

half year ended September 27
1985.
The interim dividend is again being passed. However, if satisfactory profits are maintained for factory profits are maintained for the interim of the progress to date.

The interim dividend is again being passed. However, if satisfactory profits are maintained for the progress to date.

The interim the same than the profits are maintained for the progress to date.

factory profits are maintained for the remainder of the year the directory intend to recommend payment of an ordinary dividend when the full results are published.

The first dividend on the 8 per cent cumulative convertible preference shares will be paid on January 2.

Group sales for the six months pushed an an anufacturer of density of the six months required to six months reach sales from fil4.92m to fil6.65m, and at the trading level of fil46m but had recovered to profits showed an improvement of fil46m but had recovered to 1985.

**Telecomputing** 

rises to £0.8m PRE-TAX PROFITS at Telecomputing, developer of computer software, almost doubled
from £240,000 to £311,000 in the
year to September 30 1985. This
USM company intends raising
the final dividend from 0.65p to
0.85p net for an increased total
of 1.5p compared with 1p. A
one-for-one scrip is proposed—
the new shares will not qualify
for the final dividend.
The directors say the year
has been good for the company's
progress, measured in terms of
turnover—up from £2.44m to

progress, measured in terms of turnover — up from £2.44m to £2.75m — and profit, and for the development of new software It is now well placed to move, during 1986, from the single product niche in the ICL market-place to a much broader base of

place to a much oroster base of products

Tax for the year was higher at £311,000 against £148,500, leaving attributable profits at £500,000 (£272,000, which was before an extraordinary debit of £48,000, the cost of the company's introduction to the USM). Stated earnings per 10p share mproved from 10.87p to 21.01p.

**Evans of Leeds** up by 13%

costs by £99,000 to £518,000.
Earnings emerged at 4.94p (4.77p) and the interim dividend is being stepped up from 2.42p to 3p net to reduce disparity. The directors auticipate last year's total (6.05p) will at least be maintained. Evans of Leeds, property investment and development investment and development company, pursued its policy of increasing commercial investment in the six months to September 30 1985 and raised pre-tax profits by 13 per cent from £2.0m to £2.26m on total revenue up from £3.29m to revenue up from £3.29m to

E3.86m.
A £12m debenture issue was made in September to boost its spending power. Since March the company has invested £6.83m, the bulk in commercial properties.

The company is increasing its interim dividend from 1.375p to

George Dew

George Dew, the civil engineering group facing a hostile reverse takeover bid from Bremner, the diversifying Glasgow-based department store forecast a 41 per cent drop in pre-tax profits to £1m for the year to last month, not 70 per cent as reported in Saturday's paper.

### U.S.\$20,000,000 **European Asian Capital B.V.**

Private Placement

**Guaranteed Floating Rate Notes Due 1987** Unconditionally Guaranteed by

### **European Asian Bank** Aktiengesellschaft

(Incorporated with limited liability in the Federal Republic of Germany) In accordance with the provisions of the Agent Bank Agreement between European Asian Capital B.V., European Asian Bank Aktiengesellschaft and First Interstate Capital Markets Limited (formerly Continental Illinois Limited), dated as of 28th May, 1982, notice is hereby given that the Rate of Interest for the next six month Interest Period has been fixed at 8%,% p.a. and that the interest payable on the relevant Interest Payment Date, 4th June, 1986, in respect of USS10,000 nominal amount of the notes will be US\$ 426-56.

Agent Bank First Interstate Capital Markets Group

# Transcontinental net assets rise to 231p

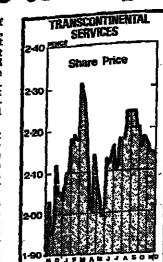
NET ASSET value per share of Transcontinental Services Group, Netherlands-based investment holding concern, rose to 231p at September 30 1985, compared with 210p a year earlier. The figure at November 18 was 238p. Net revenue was ahead at £2.12m (£2.04m) and gave earlings per share of 6.9p, compared ings per share of 6.9p, compared with 7.6p.

The directors explain that net revenue increased despite the greater part of group income being earned in US dollars in respect of a period, during which the dollar weakened significant.

cantly.

In contrast to last year, the directors say, profits were derived mainly from gains realised on the sale of investments by the dealing subsidiary which amounted to £2.96m (\$40.000) for the six months out of a gross profit figure of £5.41m The interim dividend is un-changed at 3.57p gross per share Much higher interest charges of £1.62m. against £54,000 and administration expenses of £970,000 (£439,000) left the pretax figure little changed at £2.18m (£2.12m).

• comment



while, both planks of Transcontinental's investment master plan, the short-term dealing operation and the long-term establishment of strategic positions, seem to be going according to schedule. In the first half over \$3m was made on General Foods and on the takeover of American Hospital supply alone, while the leveraged buyout of the beauty salon and jewellery store group Schigman & Latz is about to come to fruition, releasing \$10m and leaving Transcontinental with a 24 per cent stake in the company. Its With almost all of its funds invested in dollars, Transcontinental has done well to maintain its asset value measured in sterling over the past six months. Its hedging policy—covering 75 per cent of its dollar assets automatically and taking a short-term currency view on the rest— has been paying off, and by dint of successful short-term deals the company is currently sitting on a cushion of the company is currently sitting o



The Australian Industry Development Corporation

(A statutory corporation, wholly owned and guaranteed by the Commonwealth of Australia)

U.S. \$100,000,000

11'4 PER CENT. NOTES DUE 1990 NOTICE IS HEREBY GIVEN that, pursuant to Condition 6(b) of the Notes, the Corporation will redeem on January 2, 1986 US\$15,000,000 principal amount of the said Notes. A further notice specifying the serial numbers of the Notes called for redemption will be published. Currently outstanding US\$89,000,000

December 3, 1985 By Gubank, N.A. (CSSI Dept.) London Fiscal Agent

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Banco de Bilbao

November 1985

Bank of Tokyo

#### **UK COMPANY NEWS**

Lionel Barber profiles Argyll's chief as the battle for Distillers begins

# Next stage in Gulliver's travels

THERE WAS more than a touch of nervousness about Mr James Gulliver as he unveiled his £1.86bn bid for Distillers, the Scotch whisky combine, at a press conference in Edinburgh

The bid is the Britain's biggest takeover with Argyll, Mr Gulli-ver's supermarkets group, stiempting to swallow an inter-

attempting to swallow an international drinks company almost three times its size, measured by market capitalisation.

At 55, Mr Gulliver, the grocer's son from the small distillery town of Campbeltown in Argylishire, believes he is ready to seize an opportunity to "build Distillers and Argyli into Scotland's greatest company."

In the weeks ahead, Mr Gulliver will need stamina and an ability to persuade the powerful financial institutions that he and his senior managers have a coherent plan to transform DCI into a force in the international

into a force in the international drinks industry. He must prove Mr William Spengler, the new American deputy chairman of DCL, wrong he said yesterday that Mr Gullivar's many contests of the Mr Gullivar's many contests of the Mr Gullivar's many contests of the Mr Gullivar's many contests of the Mr Gullivar's many contests of the Mr Gullivar's many contests of the Mr Gullivar's many contests of the Mr Gullivar's many contests of the Mr Gullivar's many contests of the Mr Gullivar's many contests of the Mr Gullivar of

he said yesterday that Mr Gulliver's main expertise lay in canned beens and potatoes.

Argyll's history only goes back seven years, but Mr Gulliver's reputation as a quietly-spoken but highly effective entropreneur goes back much further.

ago when he joine dan offshoot of Garfield Weston's Fine Fare Group and, a year later, became managing director of the super-market empire at the age of 33. The turnaround at Fine Fare, where losses of £0.3m in 1965 were transformed to pre-tax profits of £5.4m in 1972, set the Gulliver stamp: an ability to cut overheads, improve margins and

to RSA, and became a millionaire.

Mr Gulliver's travels then took
him to a publically-quoted
Shrewsbury wholesaler, Morgan
Edwards, where he teamed up
with Mr Alistair Grant and Mr
David Webster to form the
leadership which now controls
Argyli Group. They bought into
the Manchester meat wholesaler,
Louis C. Edwards, who had built
up both this business and
Manchester United football club.
In 1979 this became Argyli



Mr James Gulliver, chairman of Argyll Group

seven years, but Mr Gulliver's reputation as a quietly-spoken but highly effective entrepreneur goes back much further.

He studied engineering at Glasgow, management at Havard and went straight into consultancy, where some of his time was spent on consumer products. His business track record was established some 20 years

In 1979 this became Argyll Foods from RCA for f19.9m cash in February and RCA for f19.9m cash in February for factor in foods, his skills were employed using Argyll as a financial of significant deal of all, he purchased Allied Suppliers from Sir James Goldsmith's General Occidental for f104m, ners have worked assiduously to thus acquiring Argyll's principal thus acquiring Argyll's principal thus acquiring Argyll's principal outlets such as Liptons and stylish cars, he now drives a Templetons. In November 1983, Mercedes coupé, he has tried

1984 1985

ARGYLL GROUP

hard to show that there is sub-stance to his new group.

In the three years since he bought Allied Suppliers, Argyll Foods has increased operating profit from £18.4m to £44m in 1985. Presto Food Markets' profits have increased from £4.5m to £20.2m between 1982 and 1985.

There is no question, there-fore, in most City analysts' eyes, that Mr Gulliver has shown he can manage a grocery business, that he can manage acquisitions, and reduce the resulting gearing. and reduce the resulting gearing.

"You have to remember," said Mr Gerald Horner, a retail analyst at Scrimgeour Vickers, Mr Gulliver's brokers, "that the DCL bid is the fourth time he has taken over a company far bigger than his own."

Mr Horner described Mr Gulliver's main talent as an ability to study a company in detail before he launches a take over bid. "The Argyll team understands the target as if they have been running the company for the past five years."

DCL will argue in the coming

DCI. will argue in the coming weeks that for all the homework, Mr Gulliver has yet to prove he can manage a premium brand business such as whisky on an international scale. This is Mr Gulliver's problem in a nutshell.

He has to convince his audience in the City and among the small shareholders in Scotland, an important constituency in what should be a close contest, that he is ready for what he him-

## All-round growth helps Argyll Group advance 26%

Turnover, excluding VAT in the six months ended September 1985 improved from £769.65m to £876.09m with pre-tax profits of £29.8m, against a comparable £123.65m. From stated 'earnings per share of 10.4p (9.1p) an increased interim dividend of 2.65p (2.1p) is being paid. Last year a total of 6.25p was paid on pre-tax profits of £53.12m.

Mr Gulliver adds that the drink division continued to produce an excellent return and the group was looking for more products to complement the existing range.

1. Expect to be able to report another successful year's trading the for Argyll."

2. Of current trading and prospects Mr Gulliver says that the food division net products and the group was looking for more products to complement the existing range.

2. Expect to be able to report another successful year's trading the form Argyll."

3. In the food division net marily in 1rozen and chilled foods. Own label now accounts for 27 per cent of Prestor divide an excellent return and the group was looking for more products to complement the existing range.

2. Expect to be able to report another successful year's trading for Argyll."

3. In the food division net marily in 1rozen and chilled foods. Own label now accounts for 27 per cent at the beginning of the year.

3. During the six months, three stores were opened and in this half year four stores have opened with 24 per cent at the dividends absorbing £13.42m, compared with £13.42m another successful year's trading and prospects Mr Gulliver says that the food division net marily in trozen and chilled foods. Own label now accounts for 27 per cent of Prestor dividends and prospects to complement the group was looking for more products to complement the group was looking for more products to complement the group was looking for more products to complement the group was looking for more products to complement the group was looking for more products to complement the group was looking for more products to complement the group was looking for more products to complement the group was

The 30% withholding tax on interest has been repealed. For non-U.S. investors, this makes U.S.

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Argyll Group supported its bid for Distillers with interim figures showing taxable earnings ahead by 26 per cent on a 14 per cent improvement in turnover. There were increased profits from all parts of the supermarkets group in a period which saw continuing major developments of its operation.

Turnover, excluding VAT in Total operating profit came out at £31.21m (£25.68m). There 
pects Mr Gulliver says that the food division is achieving the objectives which were set for it and the group would be extending the conversions of Liptons into Presto and Lo-Cost at an increasing rate after the preson pre-tax profits of £53.12m.

Mr James Gulliver, chairman, says the food division showed strong progress with operating profit 24 per cent up on last year to £24.2m (£19.45m) and the programme of converting its stores to Prestos and £6-Cost was proceeding well. In the-drink division there was good growth with operating profits of £7.01m, 13 per cent up on the £6.23m of last year.

Mr James Gulliver, chairman, food division is achieving the objectives which were set for it and the group would be extending the conversions of Liptons into Presto and Lo-Cost at an increasing rate after the prestour food activities up from other food activities up from cother food activities.

At Presto there was a satisfactory to the volume growth of 3 per cent to 3.36 per cent to 3.36 per cent to 3.40 per cent to 3.50 per cent to

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Mr Gulliver adds that the drink division continued to produce an excellent return and the group was looking for more the group was looking for more with 24 per cent at the

opened with a further five planned before Christmas and another eight by the year end to meet the target of 20 new stores this year.

In the other form

major customers now being supplied in bond, exclusive of duty, and a fall in tobacco sale volume by North West Vintuers. That resulted in a UK turnover fall of 6 per cent. However, that was offert by an 8 per cent was offset by an 8 per cent improvement from the US side.

The Scotch whisky market in the UK saw some recovery although it remains highly competitive. Cased exports, however, showed good growth.

George Morton, the UK wholestle operation maintained sales sale operation maintained sales volume of its established OVD dark rum brand and two new

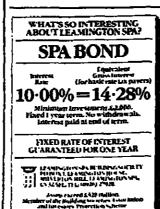
advanced satisfactorily, Mr. Gulliver says, increasing operating profit by 12 per cent. The results support the company's strategy in broadening its product base away from its traditional bourbon business into newer growth market, he adds.

The Californian wine agencies made encouraging progress although imported wines from Europe were affected by the strength of the dollar.

#### Brownlee profit slumps to £0.3m midway

gow-based timber and builders merchant, had a poor start to the year with taxable earnings down to little more than a sixth

charges were higher at £78,000 (£17,000). The tax charge was £118,000 against £820,000 last time when there were also extraordinary credits of £90,000.





#### Free State Development and Investment Corporation Limited

(Incorporated in the Republic of South Africa) Registration No. 05/16931/08

Company announcement

Proposals relating to:

- the restructuring of Freddies into two separate listed companies, namely:
- 1.1 Freddies, and 1.2 DAB Investments Limited ("DABI");
- a sub-division of the share capital of Freddies;
- the acquisition by Freddies of;
- 3.1 Southern Holdings (Proprietary) Limited ("Southern Holdings");
- 3.2 certain mineral participation rights from Southern Prospecting (Proprietary) Limited ("Southern Prospecting") and Southern Prospecting Investments (Proprietary) Limited ("SPI"); and
- 4. a rights offer to members of DABI.

1. Background to the Proposals
The main business of Freddies has
been the management of a portfolio of
predominantly mining shares. It also
owns a portfolio of mineral rights
relating to precious metals, the
majority of which are the subject of
various prospecting agreements which
have been concluded with a number
of mining companies.

The directors of Freddies consider

The directors of Freddies consider that its affairs should now be divided into two components comprising, on the one hand, a company (DABI) with a portfolio of mining and other shares, the one hand, a company (DRBI) with a portfolio of mining and other shares, and, on the other, a company (Freddies) capable of turning to account its mineral rights. Over the course of the next few years there could be opportunities in the latter area which could require the infusion of significant amounts of risk capital to meet the high costs of evaluating and developing mineral prospects. Under such circumstances, the emphasis of Freddies' operations will shift to a higher risk area than has hitherto been the case. The proposed arrangements recognise this and will, if adopted, enable members to remain exposed to both components of Freddies' operations as now constituted or, if they so choose, to concentrate their financial resource on that part of Freddies' business that best suits their particular requirements.

The Proposals The proposals are:

The proposals are:

2.1 the existing business of Freddies is to be divided between two companies, Freddies which is already listed on The Johannesburg Stock Exchange ("the JSE") and The Stock Exchange, London ("the LSE") and a newly formed company, DABI, which will also be listed both on the JSE and the LSE. Freddies will have as its business mineral exploration, prospecting and the turning to account of mineral rights. DABI will hold a portfolio of mining and other shares (consisting initially of the share portfolio which DABI will purchase for cash from Freddies), deriving income largely by way of dividends;

2.2 to give effect to the above proposal

22 to give effect to the above proposal set out in 2.1, Johannesburg Consolidated Investment Company,
Limited ("JCI") is to conclude
an agreement with DABI whereby
JCI will, as a stipulation for the
benefit of Freddies shareholders
registered as Such on the record
date, subscribe at par for 3,630,000
new ordinary shares of 1 cent each
in DABI which will be allotted
and issued directly by DABI to
the Freddies shareholders, on the
basis of 1 DABI share for each
Freddies share held at the close
of business on the record date for
the proposals (which is expected
to be towards the end of February,
1986);

2.3 with effect from the next trading date after the record date each ordinary share of 50 cents in Frieddies is to be sub-divided into 5 ordinary shares of 10 cents each; 2.4 Freddies will, in terms of agreements which have been concluded 2nd December, 1985.

and subsequent to the restruc-turing referred to in 2.1 above, acquire the entire issued ordinary share capital of Southern Holdings. share capital of Southern Holdings, a company whose principal assets are mineral participation rights and cash, as well as additional mineral participation rights from Southern Prospecting and SPI, for the issue of 3,632,063 ordinary shares in Freddies (after the sub-likition audited in 2.3 above). division outlined in 2.3 above);

2.5 DABI will make a rights offer of ordinary shares to its members in order to raise sufficient funds to purchase the share portfolio held by Freddies. The purchase price of the portfolio will be approximately RS.Im being the cost to Freddies (and tax value) of such share portfolio as at 31st December, 1985;

2.6 the aforementioned dates are subject to change and any such change will be notified in the

The Effect of the Proposals The effects of the proposals set out in

3.1 members of Freddies as at the record date for the proposals, which is expected to be towards the end of February, 1986, will be the initial shareholders of DABL, prior to the DABI rights offer;

prior to the BABI rights oner;

2. Freddies will own its existing mineral and participation rights, the mineral participation rights purchased in terms of 2.4 and cash of approximately RS.1m received from the sale of its share portfolion to DABI. Freddies will continue, therefore, to finance the development of its mineral and participa. ment of its mineral and participa-tion rights and to exploit future opportunities. Freddies' shares will continue to be listed on the JSE and LSE;

3.3 DABI will, initially, own the share portfolio which it acquires from Freddies and will operate as an investment holding company whose shares will be listed on the JSE and LSE;

3.4 the division of Freddies into two components in terms of 2.1 will have no effect on the net asset value and, prior to the rights offer in DABL on the earnings attributable to Freddies shareholders; and

3.5 the acquisition of Southern Holdings and the mineral participation rights referred to in 2.4 will have no immediate effect on the earnings and net asset value of Freddies as reconstituted.

Directors

Messrs. C. I. von Christierson and J. H. C. Wilson, who are currently directors of Southern Holdings, have accepted invitations to join the board of Freddies following the implemen-tation of the proposals.

General

5.1 The implementation of the pro-posals is conditional inter alia

5.1.1 the approval of the proposals by members of Freddies in

5.1.2 the granting of a listing for the DABI shares on the JSE and LSE; and

5.1.3 the granting of a listing on the JSE and LSE of the Freddies shares to be issued as consideration for the acquisitions referred to in 2.4.

5.2 A circular containing details of the proposals referred to in 2 is being prepared and will be posted to shareholders towards the end of January, 1986.



#### 5%% Convertible Debenture Loan 1969 US \$ 15,000,000.— **GIST-BROCADES N.V.**

Notice is hereby given that on 18 November 1985 at the office of the trustee and in presence of an attorney of the debtor, 102 debentures of US \$ 1,000 - have been drawn by lot. Numbers:

1, 13, 123, 137, 144, 164, 168, 479, 785, 888, 1053, 1109, 1522, 1700, 1708, 1725, 1730, 1738, 1957, 2073, 2368, 2369, 2370, 2371, 2646, 2694, 2699, 2991, 3108, 3400, 3636, 3638, 3639, 3866, 3869, 4259, 4261, 4514, 4530, 4593, 4605, 4670, 4671, 4698, 4721, 5123, 5381, 5481, 6532, 6582, 6584, 6737, 6792, 6793, 6866, 6880, 6969, 6971, 7095, 7153, 7296, 7646, 7676, 8072, 8195, 8723, 9127, 9456, 9457, 9524, 10106, 10517, 10622, 10641, 10642, 10697, 11233, 11235, 11251, 11254, 11496, 11937, 12231, 12244, 12440, 12442, 12503, 12588, 12945, 13213, 13215, 13303, 13477, 13478, 13479, 13861, 13870, 13873, 14522, 14666, 14845, 14950.

The debentures specified above are to be redeemed on 1st January 1986 with US \$ 1,000.-each, In New York City at Morgan Guaranty Trust Company of New York, or at the option

in Amsterdam: at the offices of Bank Mees & Hope NV, Algemene Bank Nederland N.V., Amsterdam-Rotterdam Bank N.V. and Pierson, Heldring & Pierson N.V., in Brussels: at Morgan Guaranty Trust Company of New York, Banque Bruselles Lambert S.A. and Société Générale de Banque S.A.,

in London: at N.M. Rothschild & Sons, by transfer to a Dollar account or by Dollar cheque drawn on Morgan Guaranty Trust Company of New York at New York City, in accordance with all laws and regulations

applicable in the country of the paying agents concerned.

With reference to article 4 of the trust deed attention is called that until and including 31st December 1985, each drawn debenure of US \$ 1,000.—shall be convertible at the price of Dfls. 78.90 per ordinary share Gist-Brocades N.V. At this moment the principle amount of the debentures outstanding is US \$ 922,000.—.
Of the debentures that were called per January 1, 1980 the number 7802, of the

debentures that were called per January 1, 1983 the number 6636, of the debentures that were called per January 1, 1984 the numbers 163, 2068, 8770, and 8816, of the debentures that were called per I January 1985 the numbers 1273, 2032, 2327, 8791, 12495 and 13939 have not yet been presented for payment.

Rotterdam, November 18, 1985.

B.V. ALGEMEEN ADMINISTRATIE-EN TRUSTKANTOOR. Wijnhaven 87-89, 3011 WK ROTTERDAM, The Netherlands.

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# AS EXPECTED Brownlee, Glas-

down to little more than a sixth of the comparable figure, on turnover down by 3.5 per cent.

For the six months to the end of September 1985 turnover fell from £18.23m to £17.59m with pre-tax profits of £314,000 against £1.83m. Mr R. B. Jack chairman, says that in view of the uncertainty for the whole year the interim payment is being reduced to Ip (1.3p). Earnings per share came out at 1.2p (6.3p).

Mr Jack reminds shareholders

1.2p (6.3p).

Mr Jack reminds shareholders that following the fall in demand from the building trade and tightening of margins seen in the second half of last year he had warned that the conditions were likely to continue in the first six months of this year. He adds that the poor summer made the situation worse and the strengthening of the pound reduced margins still further. There are tentative signs of a recovery. Mr Jack says, but they can only be regarded as fragile and a severe winter would be a setback.

and a severe winter would be a setback.

During the period the company bought the Paisley-based timber merchant W. Lang (Paisley) for £700,000 from Taylor Clark. The deal was completed at the beginning of August and turnover of £810,000 and pre-tax profit of £6,000 2s included in the figures.

Operating profit came out at £370,000 (£1.82m) with a further £22,000 (£30,000) from an associated company. Interest charges were higher at £78,000

LADBROKE INDEX 1.121-1.125 (-20) Based on FT Index Tel: 01-427 4411

#### **TECHNOLOGY**

Stephanie Yanchinski on how to turn a glut into export earnings

PARTICLES of fine chalky earth could turn round the fortunes of one of the world's major foods. The adsorbant earth, coated with enzymes and packed into a bed, can now be used in a commercial process to convert palm oil, an oily orange liquid which is a dictary stable throughout the Third World, into valuable food products sold in the West.

This biological process could turn an embarrassing glut of a cheap commodity into a valuable source of export earnings for such countries as Malaysia and

The world's foremost specialists in biological processing with enzymes are tackling the problem of upgrading palm and Singapore. Some of the world's biggest manufacturers of chocolate and food oil, such as the Anglo-Dutch conglomerate Unilever, are involved.

For example, promising work is going on at the National University of Singapore which, in co-operation with a local company, is developing a commer-cial process for producing liquid food oils suitable for sale mates. The research, supported by the Singaporean Trade and Industry Ministry, is part of the country's intensive efforts to ex-ploit biotechnology, which the Government believes will play the next few decades.

Palm oil is big business.
Annual world production approaches 10m tonnes, and supplies 14 per cent of the world's needs for vegetable oil, ranking only second to soya.

UNILEVER is planning to set up production units for its

ap proaccion units for its cloned oil palms throughout the Third World. The food and detergent company is negotiating a joint venture with Indonesia to mass-produce palm oil plants for the country's fast-growing plants items.

This is only part of a mas-

sive programme for commer-cialising this British innova-tion which involves field trials

in countries as far aficid as

Thailand, Papua New Guinea, Equador, Brazil and Zaire.

farmers harvest the palm oil, which is the basis for a wide range of food oils and deter-

gents. Palm oil is second only

to soya in the world supply of

Throughout the third world



plantations of palm oil lever scientists are gradually re-

World production is set to

grow, as countries such as Malaysia and Indonesia yearly

plant more acreage with palm oil and new uses in pharmaceutical manufacture,

are found.

Certain "elite" varieties

could yield 30 per cent more oil. Unfortunately, the con-

wentional horicultural methods for cross breeding and thus improving strains, by taking cuttings for example, do not work with

il palms. Unilever developed 2

method for growing these elite plants artificially in the

laboratory, by "cloning." This involves taking one or two cells of a mature oil palm

plant, placing it in a gel impregnated with nutrients,

where it grows into a small

partner and one of the major suppliers of raw palm oil. There production is doubling every cesses under commercial development of the process. Meanwhile, the Singaporeans are pressing on with a plan to build a pilot plant for testing their process. Mr Wong Mong

suppliers of raw palm oil. There to upgrade its value. The proposition is doubling every year.

At the same time new use a bed packed with diatomacous earth control with the control of the search for ways to upgrade its value. The proposition of the search for ways to upgrade its value its va "cloned" varieties developed maceous earth coated with the through tissue culture by Uni- enzyme lipase over which palm oil dissolved in solvents flows.

MAYBE IF WE MADE

A BETTER PALMOIL

THE WORLD WOULD

BEAT A PATH TO

OUR DOOR

are springing up throughout placing the older types.

South east Asia but particularly in Malaysia, Singapore's trading a surfeit of palm oil, which adds human intestine, which break Pacific Basin, even to China. plants using the university process stretching throughout the Cloning helps produce 'elite'

After toughening

The programme took 10 years and millions of pounds to reach success. Clones are still very much in the testing stage but in Malaysia the programme is well advanced. Results show cloned plants outperforming conventional varieties by 25 per cent.

outside the plantlets are shipped to where they are

plantlet.

Production in Unilever's facilities in Britain has grown so that the laboratories will produce around 300,000 plants this year. However, Dr R. H. V. Corley, head of Unifield, the Unilever subsidiary which markets the cloned material, says: "Total produc-tion of cloual plants, by our-selves and all our competi-

tors, is unlikely to exceed 500,000 in 1985, whereas the demand for plants for commercial replanting and expan-sion is somewhere between 60m and 80m. So the impact of clonal oil palms is small as yet."

Hong, a production manager at Lam Soon, says: "We do not ex-

pect a commercial process with-in five to ten years. However,

he eventually sees production

Both the Singaporeans, and Unilever scientists use this

method. However, the goals are different. The university's com-

mercial partner, Lam Soon, one

climate without hardening.

particular its fatty acids, give

chocolate the characteristic

is insufficient to meet the de-

mands of the chocolate industry.

ment, and at the same time a

melt-in-the-mouth qualities.

Dr Corley says that while it is relatively easy to ship small numbers of plants from Britain to tropical countries, the logistics of trying to transport sufficient numbers for large-scale commercial planting are quite complex.

"There are obvious advantages to doing the tissue cul-ture work in the country where the plants are required. Unifield's long term strategy will be to set up production units in each of the major

# Questions of survival supplant optimism

of Malaysia's largest food oil and soap manufacturers, intends SALES have not lived to develop cooking oils which the overblown expectations of could stand on supermarket shelves in the cooler European many industry participants and the future looks uncertain. Personal computer sales are Unilever, on the other hand, wishes to find a substitute for still growing in the US. but the expensive food fat, cocoa butter, widely used in chocolate manufacture. The chemical components of cocoa butter, in

Mr John Young, president of vear's Comdex computer dealer trade show in Las Vegas last week, said: "The past year has been difficult and disappointing for everyone. All the easy sales have been made and the World supply of cocoa butter overabundant optimism has By changing the fatty acid pro-file of the palm oil. Unilever hopes to find a cheaper replace-

turned to questions of survival." The boom times of 1983 and 1984 fooled the personal computer industry into thinking it was on the fast track to heaven.

ment, and at the same time a new market for palm oil.

Conventional methods of changing the fatty acid composition of palm oil take several days, and produce many unwanted side products. On the other hand enzymes target their attack, and thus work more efficiently, in a few hours. In the course of their research Unilever's team scored a unique scientific feat in getting their enzymes to work in a virtually water-free environment.

fundamentals needed to succeed over the long term, and if we build business relationships based on mutual benefits, trust and integrity, if we remember that the PC is only a means to an end and that that end is 10 help people work more effectively, and if we accept the challenge of taming the computer and making its magic useful to millions of people who need

Clearly the personal computer market is becoming mature and sophisticated. Many participants do not have what it takes to survive in such an environment. Topping the list are hundreds of "quick buck" computer store operators, many of whom have already fallen by the wayside. Next come the first genera-tion of "clone" makers. A con-solidation is also well under way among makers of network equipment, disk drives and

multi-user systems.

For the consumer, however, this industry shakeout may not be bad news. Increased competitions tition among manufacturers and retailers is driving down

In a buyers' market, it is not surprising that prices are com-ing down, but the rate of fall is shocking. The IBM compat-

Professional Personal Computing

standard — an 8088/8086-based machine with an MSDOS operating system—is carved in stone. Nothing else sells to business or in future, to any-one who wants to use a PC for any work-related activity.

IBM PCAT compatible machine that will sell for 40 per cent less than the original is the latest example of the dramatic price trend. The Tandy model 3000 will retail in the US for \$2,599 with two floppy disk drives and for \$3,599 with a 20 megabyte bard disk

Mr John Roach, Tandy chairman, said at the 3000 launch: "We are dedicated to the best price/performance in the mar-ket. We hope that big business can't afford to ignore us." Tandy's primary target will however be small businesses and the "work at home"

market Already Tandy's model 1000. an IBM PC compatible, has taken the US market by storm, according to Future Computing a Texas market research firm. The computer, introduced a little more than a year ago, has surpassed all other Tandy computer products in numbers sold. Currently, the model 1000 is being offered in the US for \$999, including a colour

monitor. Now the 1000 is in for some new competition, computer dealers say. A new wave of IBM PC clones—most of them from Japan and Korea—is sweeping into the market at prices as much as half IBM's prices. Mr Jon Levus of the Palo Alto Research Group, an industry con-sultancy, said "Japan Inc is finally entering the US personal computer market in force." Epson, for example, is offering a PC at equivalent with hard disk for \$4,495.

The emergence of "generic" or unbranded PC clones will allow computer dealers and others with a modicum of teching down, but the rate of fall is shocking. The IBM compatible personal computer has become a commodity product. It has also, despite IBM, become to the shocking and the rate of the shocking. The IBM compatible personal compatible personal computer has become the shocking and the shocking. A lot of dealers are in- add-on boards for personal computers that incorporate hard disks.

EDITED BY ALAN CANE

By LOUISE KEYHOE

a consumer product. The IBM PC parts can now be had for about \$500, including the disk Osborne computer, now of bankruptcy and clawing its way back into the business, has

retail market, offering a build-it-yourself PC for \$699. Tanly's introduction of an IBM PCAT compatible How the surge of PC clones will hit IBM's sales remains to be seen. But Big Blue is certainly not taking the onslaught sitting down.

IBM put a cloud over Comdex by announcing on the eve of the event that it planned to limit its retail outlets in the US to those already authorised. This was widely interpreted as a move designed to limit price cutting. Ironically, IBM's cutting. Ironically, IBM's action is expected to drive some dealers into the clone

> Lower prices are expected to boost US PC sales over the next few months, but some significant technology advances also make the longer term outlook encouraging.

brought the PC kit idea to the

The arrival of low-cost laser The arrival of low-cost laser printers opens up applications for personal computers, suggests Ms Lewis. The so-called desk-top publishing business will boom over the next two years, she predicts.

At Comdex several manufacturers were showing laser.

facturers were showing laser printers priced under \$2,000, almost half the price of existing

design. "Autocad" a CAD program for IBM-type personal computers created considerable interest among Comdex attendees. Published by Autodesk of Sausalito. California, the program can be customised to suit any drawing application from landscape design to chemical engineering.

from landscape design to chemical engineering.

A promising development for every personal computer user is the continuing trend towards higher capacity data storage systems and ever lower prices.

FINANCIAL TIMES Energy Efficiency Survey

FRIDAY JANUARY 24, 1986 For further details contact: WILLIAM CLUTTERBUCK 01-248 8000 ext 4148 Telex \$85033

## On-board voice

unit

A BOARD-MOUNTED electronic unit from Nippon Electric Corporation, able to recognise isolated words, is available in the UK from Dialogue Distribution of Camberley, Surrey.

The board, designated EP-100S, has a learning and training mode in order to match it to a particular user and vocabulary. Extracted features of speech are stored digitally in a memory and decisions made about the word spoken after sufficient similarity is determined between the input and reference patterns.

The unit can deal with either 128 or 512 words and maximum voice length is two seconds. The response time is half a second. It is claimed that the contract of that 98 per cent of words are recognised correctly. More on 0276 682001.

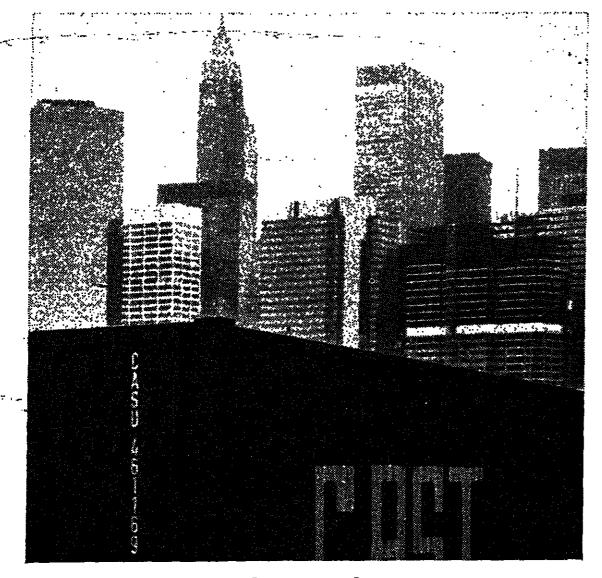
#### Waste energy project

WESTINGHOUSE HAS set up a division in Pittsburgh to sell a division in Pittsburgh to sen systems to obtain heat from waste products. The division is selling a water-cooled com-bustor developed by the O'Connor Combustor Corpora-tion, which Westinghouse acquired two years ago.

The company says this system hurns solid waste particularly effectively to give high energy. Heat from the hurning action can be a few to the control of the burning action can be transferred to steam to drive an electricity generator.

Westinghouse has sold nine of these systems worldwide. One combustor is burning 210 tonnes of refuse a day in Gallatin, Tennessee, while the company is installing a fur-ther system in Bay County. Florida, which will process
510 tonnes of waste daily.

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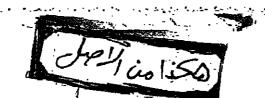
The Blue Box System of Container Shipping

is proud that one of its subsidiaries. IMI Radiators Ltd. has won the first Jaguar Cars Supplier of the Year Award.

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#### FT COMMERCIAL LAW REPORTS

# No tax supplement for oilfield costs

INLAND REVENUE COMMISSIONERS V MOBIL NORTH SEA LTD

Chancery Division: Mr Justice Harman: November 29 1985

Levied on receipts from the Beryl wholly convincing. Mr Clarke's analogy with the language in the green to case was apt.

Mr Clarke further submitted that Mr Leaver's argument led to absurd results. Licences were calculated as the net cash flow to owners of the field after deducting from the green to case was apt.

Mr Clarke further submitted to absurd results. Licences were calculated as the net cash flow to owners of the field after deducting from the Beryl wholly convincing. Mr Clarke's analogy with the language in the second to the field after deducting from the green transported to

EXPENDITURE INCURRED "in pursuance of " a con-tract, for the purpose of calculating petroleum revenue tax, means expenditure aris-ing directly under the relevant contract; and accordrelevant contract: and accordingly the costs of setting up an oil field will not qualify for supplement if they arise under a contract made after the qualifying period has expired, though made in consequence of an earlier con-tract coming within that period.

sequence of an earlier consequence of a carrier consequence of the product of the

establishing the field, plus a margin.

Section 3(5) of the Oil Taxation Act, 1975 provided for supplement, which was a persuate locrease on the costs incurred to be added to those costs before a net cash flow was a contract them the cut-off date of January 1 1979 in the Finance (No 2) Act 1979 reduced the percentage from 75 per cent to 35 per cent of "expenditure incurred in pursuance of a contract entered into on or after January 1 1979."

Section 111 (1) of the Finance Act 1961 reduced "supplement" to nothing but, sub-section (7) provided that that should not disqualify any expenditure incurred before January 1 1983 in pursuance of a contract them the cut-off date of January 1 1983 would not apply and the rate of supplement to which Mobil was entitled would be 75 per cent. That was not Mobil's claim.

Also the two year time gap provided by section 111(7) would almost never have any useful effect, because it was almost certain that expenditure incurred before January 1 1983 in pursuance of a contract then the cut-off date of January 1 1989 would not apply and the rate of supplement to which almost never have any useful effect, because it was almost certain that expenditure incurred before January 1 1983 in pursuance of a contract them the cut-off date of January 1 1989 would not apply and the rate of supplement to which almost never have any useful effect, because it was almost certain that expenditure incurred before January 1 1981. Why on that basis had 1 1983 in pursuance of a contract them the cut-off date of January 1 1979 in the 1979 Act would not apply and the rate of supplement to which almost never have any useful effect, because it was almost certain that expenditure incurred before January 1 1981. Why on that basis had 1 1983 in pursuance of a contract them the cut-off date of January 1 1983 in the 1979 Act would not apply and the rate of supplement to which almost never have any useful effect, because it was almost certain.

Second, the present case was not one where in the same statute, let alone in the same part or the same section of the statute, there were used two phrases or words. There was no apposition of "under" and "in pursuance of " in the 1981 Act so far as it concerned PRT.

Lord Esher's observation was thus on its face inapplicable. The Special Commissioners had merely contrasted different words in a statute passed six years earlier, where both Parliament and draftsmen were almost certainly different from those certainly different from those concerned in the 1981 Act,

That was too flimsy a base on which to construe the phrase. Thirdly, the Special Commis-sioners based themselves on the proposition that the draftsman must have had a reason for using longer wording.

#### **APPOINTMENTS**

## Managing director at Racal Energy

Mr David Phillips, sales director, and Mr Chris Humphries have been appointed to the board of BARRETT & WRIGHT.

On December 9 Mr Victor G. Ivery, of Vivian Gray & Co., will join stockbrokers GILES & OVERBURY in which, subject to the consent of the council of the Stock Exchange, the Charnley Davies Group is taking a 29 per cent stake.

Four senior UK management appointments have been made by SUN LIFE ASSURANCE COMPANY OF CANADA from December 1. Mr M. E. Bates, vice-president. investments, is to become vice-president and assistant general manager; Mr S. J. Quirk, vice-president, insulated control. is also appointed vice-president and assistant general manager; Mr Bates is succeeded as vice-president, investments by Mr H. A. Fenn who has been assistant vice-president, investments; Mr P. A. Littleton, vice-president, agency, becomes vice-president, individual sales and service.

service. NATIONAL TELEPHONE
SYSTEMS has appointed Mr
Peter Chamberlain as chief
executive. He was sales and
marketing director.

SOUTHERN ELECTRICITY has appointed Dr Jim Hart as commercial director. He was assistant commercial director (appliance marketing) for London Electricity Board, and will take up his new position on January L. Mr Peter Woodhart, controller of computer services for North Thames Gas. has been appointed director of information technology at Southern Electri-city from January 1.

Mr C. J. Rye becomes a director of SAVE & PROSPER GROUP from January 1. Mr Rye, who has been with the proup for 17 years will become group for 17 years, will become chairman of Save & Prosper Administration in succession to

Mr Michael Wagge has Mr R. J. Hebblethwaite, who has become managing director of asked to be relieved of certain the RACAL ENERGY executive duties in view of RESOURCES GROUP. Other demands on his time from work-

ing are also appointed to the board: Mr F. H. Hitchman, Mr M. C. Howard, Mr C. H. C. Kirkland and Mr D. N. Vermont. Mr Collins has also been appointed a director of E. W. Payne Companies.

Mr James H. Newman has been appointed to the board as group financial director of BERISFORD GROUP, Congleton. He was financial director of the Edelson

in the automotive component industry. Mr Martin Spencer, director of sales and engineerdirector of sales and eighteen ing Schwitzer Cooling Systems, will take over sales and marketing of all products on January 1 to effect smooth transfer of responsibility for the company's turbocharger operations.

PROPERTY HOLDING & INVESTMENT TRUST has appointed Mr Ian P. A. Besley as property investment director; and Mr Clive J. P. Handford as development director.

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SHEARSON LEHMAN BROTHERS has opened its first private client office in London at 12, Upper Grosvenor Street. WI. Mr Bruce Berkowitz, Mr Pascal Besman Isenior vice presidents). Dr Chai Patel and Mr Charles Hogan (assistant vice presidents), previously Metrill Lynch's number one team in London, have joined Shearson Lehman along with their support

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ACROSS 1 April's turned out to be spring-like (6) 4 Animals involved in the chase (8) Very much the opposite (6)

12 Describing sounds of one 15 Bottomless container is still

pitch, perhaps (8)
13 Set fire to a Frenchman's bed (3)
14 Characteristics of an artist

15 Bottomiess container (3),
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3 to Limb turned to solid jetly (3)
3 Flattery left him with a nasty hangover (8) 14 Characteristics of an artist

example (6)
25 Unlimited choice? (3)

26 Dictates one way to prove gold genuine (4, 4).

27 The first importance—or the second (6)

28 Six delay treating wordblindness (8)
29 A base from which one must walk a little way (6) 30 Mean to be understand-

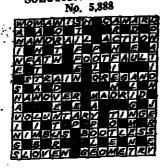
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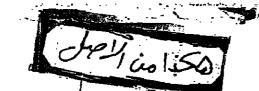
5 A measure that may be taken so long as people stand 6 They leave the stage (6) 7 Ingenious kind of statue (6) 8 Severe constriction at the centre (6) 11 Female relatives of a pawn- 12 Caustic quip about worker broker? (6)

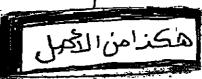
14 Characteristics of an artist (6)
16 Time show of American disaster (8)
17 Kissed perhaps—the usual start between girl and boy (7)
21 Layer backs a horse for 22 Creyhound? (3-3)
22 Cast is put out for a spoore 23 Seat is put out for a snooze after lunch (6) 24 Pester stylish film star (6) 25 Fix a direction indicator (6)

SOLUTION TO PUZZLE



32		Financial Times Tuesday December 3 1985  Manufacturers Life Insurance Co (UK): St George 1 Nov., Services Co (UK): Property Growth Asser Co (UK): 101480 0404. Property Form
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LONDON

**MARKETS** 

COFFEE futures rose sharply

in London yesterday in heavy trading on the back of renewed fears about drought

damage to next year's Brazilian crop, which also sent the New York market up

the four-cent limit. The rise which occurred despite a brief surge in sterling, fol-

lowed news from the US private weather forecaster

Accu that Brazilian growing areas had had a rain-free

weekend and were likely to

remain dry and warm yester-day and today. Some dealers

expect the damage caused by the drought to disrupt Brazi-

lian supplies, which account for almost a third of all

exports, more than a heavy frost. Sugar futures were

also firm yesterday, boosted

by concern over damage to the Cuban crop from the recent hurricane. In after-

noon trading, eif values were at their highest level since October 1984.

LME prices supplied by Amalgamated Metal Trading.

Unofficial + or close p.m.: -£ per tonne

ALUMINIUM

settlement 647 (659.5). close: 674-5. Turnover: 13,375 tonnes.

Cash 8+2-5 -4 692 3 months |915-20 -5 -

1), three months 910-2 (929 ment 892 (911).
Turnover: 26.600 tonnes. ducer 66-69 cents per pour

Cash :263.5 ( -1.5 5 months 70.5 ; -.87

LEAD

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# Lonrho in further talks on large scale Mozambique investment

the government of Mozambique on agricultural and gold mining accords to consolidate its position as the biggest private investor on the country.

A Lonrho spokesman said that company officials are due to visit Maputo this week for a further round of talks.

Mr Tiny Rowland, Lonrho's chief executive who has exten-Sive business interests throughout South Africa, signed what was described as an enabling accord last April, covering a wide range of activities in agriculture, mining and tourism. but involving no specific

The two sides have also signed a protocol covering the the province of Manica, near the Zimbabwe horder, but this has yet to be formalised.

Mr Rowland, and other Lonrho representatives, are said to have made frequent trips to the Mozambican capital over the past few months to finalise these agreements.

province, involving Lonrho in a small initial investment of

Mr Osman said the Govern-ment estimated gold reserves He said attempts in in the area at 50 tonnes, al-made to interest Lonn though he was optimistic that full exploration might show reserves of two to three times The government's goal was to

produce about four to five ing foreign exchange earnings of about \$50m. Businessmen close to the negotiations say Lonrho has insisted on a re-negoriation of the initial pro-duction-sharing arrangement involved in the protocol, but Mr Osman said he did not believe this would be a serious barrier to formalisation.

It was understood in Maputo that an unibrella agreement covering joint agricultural ven-tures in the central province of Sofala, and Gaza and Maputo provinces in the south, was also close to conclusion. Mr Eneas Comiche, the Vice-minister of finance, who is the government

LONRHO is understood to be this month on developing lode export earnings to cover the interested close to formal agreement with and alluvial mines in Manica foreign exchange costs of intourism or puts for the projects, as well as debt service in the initial

> He said attempts had been made to interest Lonrho in investing in the following areas: horticultural crops. Planting of cotton had already begun at vate sector projects in the Third Metochira, in Solala province. World. he said and the company was preparing to begin livestock and currus production at Umbeluzi. near Maputo. The company was understood to have expressed interest in a vegetable canning plant near Chokwe, 200 km from Maputo, as well as in the \$24m inspired, as well as in the serior lifema sawmill and particle board factory in Manica province and in tobacco production near the Zimbabwe border.

Mr Comiche said talks were due to take place late this month to formalise a tourism protocol signed in September 1984, under which Lonrho will take over the management of Mozambique's minister for mineral resources. Mr Abdul Magid Osman, says he is optimistic that formal agreement can be reached with Lonrho management which would cater not only for the Company is believed to be

tourism on the Santa Carolina in the Mozambique channel

say that Lonrho's total investment in Mozambique might amount to some \$30-40m over the next five to six years. They production of cotton, tobacco, say funding may also be forth citrus, livestock, cereals, and the coming from the International citrus, livestock, cereals, and the coming from the International production and processing of Finance Corporation. The World Bank affiliate which finances pri-

> Mr Rowland, who is said to be close to President Samora Machel, made his mark in the country last year by flying in a gift of seed maize from Kenya during Mozambique's devastat-ing drought and by reportedly donating \$1m for sanitation and other purposes in the city of Maputo.
>
> Although government officials

report a steady flow of enquiries from interested foreign investors following the publication of a liberal foreign investmen code lastyear. Lonrho is one o very few such companies have been willingto brave the security threat posed by South African-backed guerrillas of the Mozambique National Resist ance to actually set up in the

## Brittan renews tin debt pledge

BY STEFAN WAGSTYL

and would come into use in the absence of quotations at London Metal Exchange. New York market or when trading there in the plan. Several countries are as the plan. Several countries are as unwilling as ever to move from their insistence that they became turbulent.

Mr Leon Brittan. Trade and Industry Secretary, marked the first day of the council's latest emergency meeting on the Covernment was continuing to press the other 21 Tin Council members to promise to honour the council's debts running into hundreds of millions of pounds to banks and metal beautiful proposed.

So far, the creditors have been adamantly opposed to be pooled at a full themselves openly to the plan. Several countries are as unwilling as ever to move from their insistence that they became turbulent. The establishment of a pricing mechanism was approved by the calinet as part of its rescue package to enable local industry to survive through the present and future crisis.

So far, the creditors have been adamantly opposed to banks and metal beautiful proposed to banks and metal beautiful proposed to be pooled at a full themselves openly to the plan. Several countries are as unwilling as ever to move from their insistence that they became turbulent. The establishment of a pricing mechanism was approved by the colorest and force of the council's latest to discuss "burden sharing" plan under which creditor banks and brokers would be pressed to discuss. They fear that to discuss "burden sharing" of the ITC debts. They fear that to discuss "burden sharing" of the introduction of the plan. Several countries are and Kuala Lumpur tin as unwilling as ever to move from their insistence that they became turbulent.

The establishment of a pricing mechanism was approved by the colorest and force of quotations at London Metal Exchange. New Yorl market and Kuala Lumpur tin as unwilling as ever to move from their insistence that they became turbulent.

So far, the creditor banks and brokers would be a tacit admission of responsibility.

So far, the creditor hundreds of millions of pounds to banks and metal brokers.

The appeal won no more support yesterday than it did when it was first made nearly

This is the fifth council meeting since the crisis on October 24 when the ITC ran out of money in its attempts to support prices. Delegates have

been adamantly opposed to such suggestions. One version, of the burden sharing proposals would involve producer countries paying up the £60m they promised to the Tin Council at a meeting in Cauberra in September, and consumer countries matching this with a further £60m.

However, the idea of burden international, tin markets by setting up its own market that will fix reference prices for Thai tin, in a move hoped to bolster the ailing local industry. Discussions have been going on between the Thail Government and Thailand Smelting and Refining, the country's premier tin smelter operated by the Royal Dutch/Shell Group.

BRITAIN yesterday renewed its pledge to meet in full its share of the debts of the International Tin Council, in spite of every sign that most of its fellow council members are as far away as ever from follow.

Delegates spent much of tors. Even its supporters, who include the European Commission, have been reluciant to commit themselves openly to market or desired to be pooled at a full the plan. Several countries are as far away as ever from follow.

The proposed pricing mechanization include the European Commission, have been reluciant to commit themselves openly to market or when trading there became turbulent.

further £60m. the Royal Dutch/Shell Group.

Rowever, the idea of burden sharing has a long way to go to a mechanism to set daily before it even becomes a price levels by matching up formal proposal put to the Tin bid and offered prices for Council, let alone to the credi- warded by buyers and sellers.

	IETAL EXCHANGE OUSE STOCKS
(Changes duri	ng week ending last Friday) (tonnes)
Aluminium Copper	+1,750 to 215,750 -2,725 to 185,000

/-4-4-4-
+ 1,750 to 215,75
~2.725 to 185.00
+675 to 57,70
-12 to 4.88
-85 to 49.52
-3,050 to 28,67
(ounces)
+450,000 to 51,790,00

## Continued fall in spot oil prices

for December deliveries following a fall last week of nearly \$2 from the high point of \$30.75-

Britoil sold one cargo of Brest to Sun Oil for January delivery at \$27.97, according to traders who see the steep fall as probably marking—depending on the severity of the northern hemisphere winter—the end of a period of surgrising relative strength.

Traders see the drop in spot hemisphere winter—the end of a period of surgrising relative strength.

Traders see the drop in spot hemisphere winter—the end of a period of surgrising relative strength.

Traders see the drop in spot hemisphere winter—the end of a considerable over price discounting and failure-to honour-outpus quotas.

November and especially in the developing a new offshore oil-third week of last month. The surge of activity was caused by yesterday was at \$266-269 per or needing for member states of the Organisation of Petroleum between Countries which a face value of \$50, a half-ounce coin valued at \$25, a quarter-ounce coin valued at \$25, and a one-tenth-ounce coin valued at failure-to honour-outpus quotas.

Mr Reagan banned imports of Krugerrands on October I as part of a series of economic sanctions against South Africa to protest its apartheid policies.

The futures market also points to a heavy supply surplus with the rate for West Texas Intermediate for January down 68 cents to \$29.11 in morning trading as the New York Mer-

PRICES on the oil spot market tonne compared with \$271-3 last continued downwards yesterday with Brent Blend down to a before.

buyer-seller rate of \$29.0-29.05

The futures marker also refiners, stimulated in part by cold weather and improved margins, but for the time being, with stocks high, it has come with stocks high, it has come to an end leaving many inter-mediaries in the market with unwanted crude on their hands.

> The slump will make gloomy reading for member states of the Organisation of Petroleum

#### US to mint gold bullion coins

THE US House of Repre-President Reagan a bill authorising the Treasury to mint gold bullion coins as competition for the South African Krugerrand.

The bill authorises the mint-ing of gold coins in four sizes

# Why supermarkets buy abroad

AT THE Agricultural Outlook Conference last week, Mr John Hardman, managing director of Associated Dairies, wondered why his company had to go overseas to buy temperate foods which could well be produced in Britain. Sir Michael Franklin of the Ministry of Agriculture was also critical that Mr Bernard Matthews had to go to New Zealand for his supplies of lamb rather than buy home

Sir Michael's query is soon answered. Bernard Matthews went to New Zealand because the New Zealand Beat Producers Board, which had recently taken over all meat marketing in that country, was stuck with more lamb than it knew what to do with. The alternative to the very low price paid by Mr Matthews would have been to render the lambs down for meat and bone meal. a salvage operation. In addition the New Zealand board provided him with a factory at the most favourable rates.

It must be realised that no British lamb producer could match the prices at which the New Zealand lamb was sold and remain in business. The actual sum was a closely guarded secret when I was in seasonal and other factors. New Zealand earlier this year, it is difficult for a farmer to guarantee in the long term a

The answers to Mr Hardman's Alongside the contracted Board was brought into being in queries are much more complex. To begin with there is where farmers can take their negotiated the annual contracts standards, supermarket buying the price for store lambs for invariably a few farmers went appears to be largely through the fattening exceeded the wholesale intermediaries. In the meat trade there are a number of large units. I have dealt that market. This must have

Farmer's viewpoint by John Cherrington



buyers and attempt to secure continuity of supply. Many farmers try and meet these conditions but the con-tracts very seldom mention a firm price, and unless one has a

firm price basis, bonuses for quality and so forth are relatively meaningless. Also animals growth rates are British farmers on the whole irregular and depend on are more dedicated to free

about \$NZ1 per kilo (around constant level of output, except 40p per kilo) in carcase form. possibly for broiler chickens,

with some of them in the past meant that the ultimate buyer and still do. They do lay down from my usual wholesaler would the standards demanded by the either have o hay more money meant that the ultimate buyer from my usual wholesaler would either have o pay more money for his supplies, look elsewhere or do without. The buyers may criticise farmers for this but until more of them are prepared to make fixed price contracts, which is understandably against their philosophy, they have to accept farmers' reactions.

It must also be realised that enterprise than many of our competitors. This characteristic is often a cause of their own undoing.

Before the Milk Marketing

rest sold for what they could

It could well be asked why British farmers do not co-operate as do the Danes, the Dutch and many others, Firstly real co-operation is alien to their free trading philosophy. I myself never feel that an employee of a co-operative can sell my produce as well as I could myself, This is nonsense, no doubt, but it is widespread in the industry and the only way that has ever been found to control this self-destructive inclination of farmers was the statutory imposition of the Milk Marketing Board.

But I am speaking as an elderly farmer brought up in the irrational British tradition of every man for himself.

There is certainly room for change, and if Mr Hardman tried the offering of a fixed price on the commodities he has in mind at the beginning of the production chain, farmers might be prepared to start growing for him. The Alongside the contracted queries are much more complex. To begin with, there is a free one plex. To begin with, there is no real communication between the big buying interests and farmers in general. Because even large farmers are very small businesses by today's small businesses by today's day. For instance last August below a certain price, could be no back sliders, and no standards, supermarket buying the price for store lambs for invariably a few farmers went price cutting. It would not be mean commission and decide not to sell their milk single channel. Then there sales: 4 (12) tots of 50 carcases, could be no back sliders, and no price cutting. It would not be mean commission and decide not to sell their milk single channel. Then there sales: 4 (12) tots of 50 carcases, and no price cutting. It would not be mean commission and decide not to sell their milk single channel. Then there sales: 4 (12) tots of 50 carcases, and no price cutting. It would not be mean commissions are considered as a certain price cutting. It would not be mean commissions are considered as a certain price cutting. It would not be mean commissions are considered as a certain price cutting. It would not be mean commissions are considered as a certain price cutting. It would not be mean commissions are considered as a certain price cutting.

Our competitors do not suffer from the same delusions. For the most part, the Dutch the Danes and the French have a highly-developed co-operative sector selling through restricted outlets. Farmers cannot be outlets. Farmers cannot be tempted away from supporting them because for the most part there are no other outlets.

# Crose \$5191g-320 (£2141g-215) Opening 2342g-325 (£2184,-218) Minit gitt, 3323,95 (£218,-738) Aft'n'n fix \$321.50 (£215,122) Krig. 81664-1704 k Krug. 81664-1704 k Krug. 81664-874 k Krug. 8164-874 k K

Silver was fixed 7.8p an ounce lower for spot delivery in the London bullion market yesterday at 407.2p. US cent equivalents of the fixing levels were: spot 610.2c. down 4.8c; three-month 522.1c, down 4.8c; six-menth 534.65c, down 3.85c; and 12-month 685.65c, down 6.7c. The metal opened at 410-412p (610-612c) and tiosed at 405-407p (603-605c).

LME-Turnover: 58 (7) lots of 10,000 Three months high 417.5p, low 417p,

COTTON

LIVERPOOL—Spot and shipment sales totalled 196 tonnes for the week ending Friday, November 29, compared with 731 tonnes in the previous week. Demand brought moderate purchases mainly in East and West African, Turkish, Egyptian and Israeli qualities. MEAT Prices closed on a steadier note due to firmer physicals in very low volume, reports CCST Commodities,

lYesterday's Previous Busine

INDICES

FINANCIAL TIMES. Dec. 2 Nov. 29 M'th ago Yearago REUTERS

Dec. 2 Nov. 29 M th ago Year ago 1708.4 . 1705.1 1716.4 190.70 (Base: September 18 1931 = 100) DOW JONES Dow Nov Nov. Month Year Jones 29 37 ago ( ago

Spot 120,62 130,52 - 185,12 Fut, 192,34 121,86 - 126,66 (Bess: December 31 1974 = 100) MAIN PRICE CHANGES

closing (am): Cash 646.5-7 three months 670-5 (680-1). 547 (659.5). Final Kerb

913,54,5-3,5 935-914 934,55 -3,75 340:933,5 Barley Fut. Mar. £112.30 . ....£110.20 Maize £140.00 ....£134.00 Wheat Fut. Mar. £115.65 + 0.15 £110.00 No. 2 Hard Wint. Official closing (am): Cash 914-5 (925.5-6), three months 934-5 (946-5), settlement 915 (926). Final Kerb close: 976-7

Official closing (am): Cash 890-2 (910-1), three months 910-2 (929-31), settle-In tonnes unless otherwise stated.

1 Unquoted. > Dec.Jan. w Nov-Dec.
Dec. † Per 75 lb flask. c Cent.
er pound. z Jan.

Official closing (am): Cash 263.25-75 (284.5-75), three months 269.5-70 (271.25-5), sertisement 263.75 (264.75). Final Kerb close: 272-25. Turnover: 7.375 tonnes. US Spet: 18,75-20 cents per pound.

Official closing (am): Cash 2570-5 (2700-8), three months 2715-20 (2745-55), settlement 2675 (2705), Findl Kerb Close: 2740-50

Official closing (am): Cash 423-4 (412-3), three months 422-3 (421-2), settlement 424 (413). Final Kerb close: 431-3. 1-3. Turnover: 9,050 tonnes. US Prime COFFEE Close Done

Sales: 9.349 (3,533) lots of 5 tonnes. ICO indicator prices (US cents per pound) for November 29: Comp daily: 1979 145-43 (141.57): 15-day average 140.56 (140.21).

The merket opened unchanged in this conditions mainly size to a lack of fresh news from the physical market. Although, some upward-initiative emerged lete in the morning levels eased during the afternoon as new importus was lecking, reports Clarkson Wolff. The Balve Freight Index was \$15, up 1. | Close |High/Low| Prev.

Turnover: 161 (143). GRAINS

Wheat traded nervously: after a ady opening the market drifted 20p, y 10 find good buying support, ley was also quiet, reports Muir-

Business done—Wheet: Jan 113.10-260, Mar 115.80-5 20, May 118.75-9.25, July 121.00 only. Sept 98.35-9.25, Nev untraded. Sales: 187 lots of 100 tonnes. Barley: Jan 103.15-9.00, Mar 112.40-2.20, May 115.00 only, Sept and Nov untraded. Sales: 54 lots of 100 tonnes.

LONDON CRAINS—Wheet: US dark porthern applied no 1 15 reg sept Decrees.

Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: Scotland 106.00. The UK monetary coefficient for the week beginning Monday December 9 (based on NGCA calculations using four days exchange rates) is expected to be incharacteristics.

PHYSICALS—The London merket opened unchanged, attracted very little nterest throughout the day and closed

PRECIOUS METALS, after

early losses, recovered to close steady as platinum maintained a firm tone, reports Heinold Commodities. Copper and aluminium traded under modest pressure in response to LME stock levels. Sugar moved sharply higher on good Far Eastern buying. which touched off commission house buy stops. Coffee wer: timit-up bid on panic brying by roasters linked to continuing concern over supply availability in 1986. Cocoa was featureless with activity linked to sterling's movement.

linked to sterling's movement. Tightness in the cash market contributed to a steady tone in cotton. Petroleum markets followed through to the downside on expectations of increasing refiner runs causage a build-up in heating oil stocks, but unecovered support stocks, but uncovered support on expectations of colder

COCDA FE. Mar. #1667.5 ..... #1704 COFFGE FE. Mar. #1996.5 +66.5.£1918.5 COSTON A, Index #7.80c ..... 48.056 Gas Oil Jan. | \$259.5 ..... 48.056 Rubber (kilo) \$5.50 ..... 0.5 '559 Sugar raw | \$150.5x +2 '5144.5 Wooltopa 648 \$849 kilk ..... \$849 kilo

MCCO indicator prices (US cents per pound). Daily price for December 2: 107.52 (107.26); five-day average for December 3: 107.02 (107.14).

broken by mid-morning and trade and commission house buying pushed level higher, reports Dravel Bumham Lambert. With concern over the Brazil drought, New York was locked limit-up bringing spill-over buying into London.

Gold fell SSIs to \$3194-320 on the London bullion market yesterday. A recovery by the dollar led to selling of gold in New York, pushing the metal-down to a low of \$3194-3195. It opened at the day's righ of \$324-325, and was fixed at \$323.95 in the morning and \$321.90 in the afternoon.

FREIGHT FUTURES

Jan. 903/904 905/904 905/908 April 946/949 — 947/951 July 830/840 — 838/845 Oct. 921/924 921/920 918/926 Jan. 942/946 — 948/950 April 990/998 995 987/993 July 950/990 — 848/930 Oct. 950/1000 — 350/1000

lan ... 113,05 +0.48 109.15 -Mar... 118,55 +0.51 112,30 -May... 118,55 +0.20 114,80 +0.25 luly 121,00 +0.58 +0.58 89,65 +0.15 Nov... 101,40 - 101,75 - 101,75

LONDON GRAINS—Wheat: US dark northern apring no 1 15 per cent Dec 125.50. Jun 131.50, Feb 133.85 trenshipment east coast, US no 2 soft red winter Dec 114.25, Jun 118. Feb 115.25 sellers EC French Dec 130. English feed lob Dec 114 seller, Jun 115.50-116.00, Jan/Mer 117.00-118.00, April/June 120.50-121.00, Sept 101.00-02, buyer/sellers. Maixe: US no 3 yellow/french transbipment east coast Dec 140. Barley: English feed fob spot 110.00-111.00, Jun 113.00-114.00, Jan/Mer 114.25-115.00 buyer/sellers. Rest unquoted.

to be unchanged. RUBBER

and the second s

temperatures in the Eastern US, NEW YORK

CHICAGO 181.86 183.00 183.00 183.00 182.50 189.00 188.00 25,000 lb. cents/fb

Close High Low Pray
61,20 ff.40 e0.70 ef.20
61,40 --- 61,50
61,80 c2.15 ef.25 ef.80
62,16 c2.46 ef.60 e2.10
62,20 ef.90 e2.35
62,75 e7.60 e2.55 e2.65
63.45 e3.15 e3.15 e3.65
63.45 e3.75 e3.65 e3.65

6,80

7.20

19.90 20.05 19.85 19.80 20.00 19.70 19.80 —

SPOT PRICES—Chicago loose lard 17.50 (same) cents per pound. Handy and Harman silver bullon 604.0 (517.0) cents per troy ounce.

High 87.00 85.40 81.10 75.90 72.45 70.90 71.00 70.00

Close High 322.3 324.5 324.3 226.5 328.5 330.2 332.0 334.3 335.5 338.5 339.0 342.9 342.9 347.5 248.5 352.2 249.7

POTATOES £ per tonna

After opening weaker and trading 4090g down in thin volume prices rose
on persistent buying interest during the
alternoon. Buying standed 20 come
from one quarter and this met keen
selling resistence from the merket as a
whole at \$33.00, basis April, reports
Coley and Harper.
Sales: 863 (561) lots of 40 tonnes, SOYABEAN MEAL

The market opened 50p up in quiet conditions, reports T. G. Roddick. Prices remeined stready in mixed buyon until easing on light profit-teking action.

SUGAR LONDON DAILY PRICE—Raw sugar \$140.50 (194 00). up \$2.00 (up \$1.00) a tonne for December-January delivery. Wnice sugar \$175.50, up \$1.50.

Sales: 2.783 (1,155) lots of 50 tonnes. tonnes.

Tate and Lyle delivery price for granulated, basis sugar was £197.00 (£195.50) a tonnel for export International Sugar Agreement— (US cents per pound lob and stowed Caribbean ports.) Prices for November 29: Daily price 5 47 (6.52): 15-day average 5 42 (same).

PARIS—(FFr. per tonne): March 1420/1424, May 1400/1445. Aug 1881/1485, Oct 1520/1526, Doc 1540/1560, March 1597/1805. The first day of US trading since Thanksgiving brought a note of caution into felling European markets. After initial weakness Brent prices recovered to around Friday's closing levels, while on the Nymex Wit traded only 66 below last Wednesday's close. In the petroleum products medical case, in the

petroleum products merket gas on continued its downward slide with few deals reported. Gasoline weakened alightly white other products were stable in Quiet trade—Petroleum Argus, London. SPOT PRICES

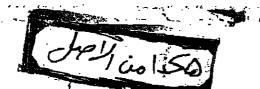
Premium gasoline. 277.282 -3 Gas Oil -266.269 -4.5 Heavy fuel oil -149.152 -Naphtha -249.250 : -

\*December Petroleum Argus estimates GAS OIL FUTURES

Turnover: 3.232 tots of 100 tonnes. CRUDE OIL FUTURES—Brent Blend Index. \$ s barrel. (Close, change, business done): Index 28.48. ~0.33; Jan 28.20-28.40. ~0.20. untreded: Feb 27 35-27 50. ~0.05, 27 45-27.30; Mar 26 40-27 20. ~0.30. untraded: April 26 00-26.90. ~0.35. untraded: May 25 80-26.80, ~0.35. untraded. Turnover: 13 (12) lots of 1,000 barrels.

Weak demand. hits tea price

TEA PRICES dropped by between 5p and 8p a kilo at yesterday's weekly auction in London, as a result of plentiful supplies and weaker demand. Low-medium teas bore the brunt of the fall, dropping 8p to 95p a kilo. Brighter Assams and coloury mediums were well supported, however.



NEY MARK

MADE OF DE

# Dollar up after 2½-year low index rose 0.1 to 80.4. It opened at 81.2, the low of the day, and rose to a peak of 81.7 at noon. Six months ago the index was 80.3.

The dollar recovered in late European trading, after founding its lowest level for about 2½ years in the early afternoon Covering of short positions and some commercial demand hulped the US currency improve, but there was no change in the fundamental factors surrounding the dollar. Recent signs of slow US economic growth remain a depressing factor, particularly against the D-mark and sterling. The D-mark is particularly attractive after good German figures on trade and inflation, plus recent comments by German officials rejecting calls fur a more relaxed monetary policy. High London interest rates continue to attract money into Loodon. Yesterday's US economic figures had little impact, with construction spending rising 1.7 per cent in Getober, compared with 0.4 per cent in September. Non-farm productivity increased by 2.1 per cent in the third quarter, against a previous estimate of 1.2 per cent.

The dollar rose to DM 25210

1 Spot 51,4885 1,4935 1,4865 1,4875 1 month 0,42 0,40 pm 0,43 0,42 pm 4 months 1,24 1,20 pm 1 21 1,19 pm 12 months 5,83 5,75 pm 3,89 3,75 pm Sterling failed to maintain a level above \$1.50—the first time the pound had reached this point Forward premiums and discounts apply to the U.S. dollar. for over two years—touching a high of \$1 5020, and finished 10 points weaker on the day at \$1.4870-1.4880. Sterling was strong against other major cur-

from DM 2.5110. after touching DM 2.4920, and also improved to FFr 7.6875 from FFr 7.6675; SFr 2.1038 from SFr 2.0810; and Y204.05 from Y202.10. But the dollar showed much less movement against the yen, failing to a low of only Y202, reflecting speculation that the Japanese authorities are happy with present levels, and do not wish to see the yen continue to see the yen continue to appreciate.

On Bank of England figures the dollar's index rose to 126.8 from 126.3. STERLING — Trading range against the dollar in 1985 is 1.4885 to 1.0525. November

months ago.

Guilder..... Fronch franc....

OTHER CURRENCIES

1990-1982=100, Sank of England Index

(base everage 1975=100).

**CURRENCY RATES** 

Bank of Morgan England Guaranty Index Change a

The dollar rose to DM 25210 average 1.4408. Exchange rate POUND SPOT - FORWARD AGAINST POUND

Dec 2	Spread Spread	Close	-One month	% pa.	Three	p. 4
U\$	1.4835-1 5020	1 4870-1 4880	0 45-0 42c pm	3.51	1.19-1.14pm	3 13
Canada	2 0519-2 0793	2 0619-2 0649	0 48-0 38c pm		1 21-1 07pm	
Nething	يا 22 4-را 20 4	4 201-4 211,	214-2c pm		5'a-5' : pm	5.4
Belgrum	75 90-76.35	75.90-76.00	24-18c pm		58-50pm	2 8
Denmark	13 564-13 61	13 59-13 60	31,-21,ore pm		712-6129m	2.0
reland	1.2080-1 2150	1 2126-1 2136	0.22-0.09p pm		0.43-0 14pm	
W Ger	3.731-3.751	3 744,-3 751,	2's-2'sof pm		674-6cm	6 5
Fortugal	235.21-241 93	235 21-239 99	185-490c dis		625-1530d	- 18 1
Spain	231.06-231.87	231.06-231.52	50-95c dis		215-335dis	-4 7
taly	2.5441, 2.555	2.549-2.551	7-12hre dis		18-25d/s	-35
ACMIDN	11 25-11 31	11 27'2-17 28',	per-Lore dis		24-3ds	-0 9
France	11 42-11 464	11 43-11 44	214-10 pm		514-33-pm	14
Sweden	11 33-11 421,	11 351-11 361,	14-1 ore dis		3'-4'-dis	-15
Japan	30213041	303-304	1-by pm		27 - 212Pm	35
Austna	26 29-26 38	26 29-26 32	121-11gro pm		35-29 kom	4.5
Switz.	3 11-3 131,	3 121 - 3 131 -	2'4-2t pm		5'-5'-pm	7.11
Be	iquan rate is i	or convenible	francs Financia	! frage.	76 50 76 60	• • • •
5.	a-month forwa	rd dollar 2 14 :	2 J9c pm 12 mg	noth 3 70	1355c pm	

DOLLAR SPOT-FORWARD AGAINST DOLLAR

Dec 2	Day's spread	Close	One month	r. p.a.	Three months	p.s.
UK†	1 4835-1 5020	1 4870-1 4880	0 45-0 42c pm	3 51	1.19-1 14pm	3.13
tbnaleri	1 2230-1 2370	1 2250-1.2260	0.25-0.15c pm		0 80-0 55mm	2 19
Canada	1.3842-1.3898	1 3893-1.3898	0.11-0.14c dis	-108	0 32-0 37dis	-100
Nethind	2 8065-2 8365	2 8305-2 8315	0.63-0 60c pm		1 62-1.59pm	2 2
Belgrum	50 70-51 25	51 00-51.10	'-1'-c dis		2-4dis	-0.24
Denmark	9.031-9 144	9.134-9 744	'-lore dis		14-21-dvs	-0 88
W Ger	2 4920-2,5250	2 5205-2 5215	0 80-0 75pf pm		2 10-2 05pm	3.3
Portugal	159-161	1591,-1601,	175-375c dis	-20 69	550-1150d	-21 32
Spain	154.20-155 90	155 15-155 45	90-125c dia		285-335dis	-8.01
ltuly	1,700-1.715	1,714-1,715	10-12ture des	<b>←7.75</b>	25-28dis	-6 22
Norway	7 53-7.59	7 58-7 5812	2's-2'sore dis		7's-8'sdis	-4.24
France	7.61-7 70	7 681-7 69	1.10-1 50c dis		3.40-4 00dis	
Sweden	7 60-7 641,	7.63 - 7.64	34-34ore dis		83-87dis	-4.60
Japan	202 00-204.15	204 00-204 10	0.02y pm-0 01g	-0.03	0.22-0 18pm	0.39
Austra	17.53 4-17 69	17.66-17 65	21,-13 are pm	141	712-5 pm	1.42
Switz	2 0690-2,1070	2.1030-2 1040	0 84-0 79c pm		2.17-2 12pm	4.13
t UK	and Ireland a	re gucted in			oremiums an	
			r and not to th	e indivi	dual Currence	ē.
			trancy Figure 4			, .

**EXCHANGE CROSS RATES** 

Dec. 2	E	ş	DM	YEN	F Fr.	S Fr.	H·FI.	Lra	C E	8 Ft.
\$	0,672	1,488	3,750 2,521	303.5 204.1	11.44 7.688					
DM YEN	0.267 3.295	0.597 4.901	1. 12.36	. 66.93 1000.						
F Fr. S Fr.	0.875 0.319		3,279 1,198	265,4 96,96						
H FI. Lira	0.238 0.392	0,363 0.583	0.891 1.471		2.716 4,484				0.490 0.809	
C.S B.Fr.	D.485 1.317	0.721 1,959	1.817 4.937		5.542 15.06					36.81 100.
Yen per	1,000:	French F	r per 10	): Ura p	er 1.000	0: Belg	Fr per	100.		

**EURO-CURRENCY INTEREST RATES** 

Dec. 2	Short term	7 Days notice	Month	Three Months	Six Months	One Year
Sterling	115 11 3	11% 11%	11% 11.	111, 11 ;	114-115	111, 111
U.S. Doltar	B14 B34	B1. 814	81: Big	8 - 8 :	B B ;	8.' B'>
Can Doltar	8: 9:	991	8.9.	8.91	994	91, 93,
D Guilder	55,5:,	5 2, 5	5: 5.	54, 5.,	5:, 6	5.76.
Sw. Franc	17. 21.	11. 214	3 4.	4 4)	441,	41, 41,
Deutschmrk	551-	4'. 4	45.4 .	45, 4	41, 47,	4; 5
Fr. Franc	91, 95,	91, 9%	10 10:4	10 10 4	10× 10 a	1011 10
ttalian Lire	20 25	23 28	17-18-2	17 1812	15 15 1	145, 15
B.Fr. Fig'	884	84 833	8482	8%8 %	8% 8%	85.84
Br.Fr · Con	88.	8× 854	8 1. 8 1.	8 % 8 %	8 + 8 -	8 % 8 %
Yen	81. 8:H	85. B1.	81.85	7: 7	7. 7.	6.7
D. Krone	81-9	84.9%	84 95	99.	9 912	91,.95
Asian 5 Sng	Bi. Bia	81- Bis	B1, B1,	8, 8	B., 8 i	8.8.

**FUTURES AND OPTIONS** 

## **Confused** trading

Contracts relinquished early Contracts relinquished early gains in the London International Financeial Futures Exchange yesterday in rather confused trading. Although the mood of the market definitely dictated a concerted sell off during the afternoon, there was little that dealers could readily point to that explained the sharp reversal. reversal.

rencies. however. rising to DM 3.75 from DM 3.7375; FFr 11.4350 from FFr 11.4125: SFr 3.13 from SFr 3.0975; and Y303.50 from Y300.75. reversal.

Euro-dollar prices came under pressure from the start. Friday's money supply figures showed a continued underlying growth and with Federal funds remaining high, there were fears that the long awaited cut in the US discount rate might have the market. DEUTSCHE MARK - Trading range against the dollar in 1985 is 3,4510 to 2,5110. November average 2,5926. Exchange rate index 129.6 against 122,1 six long awaited cut in the US discount rate might keep the market waiting even longer. This was given some substance by the current performance of the dollar since the authorities seems unitkely to cut interest rates to undermine the dollar when the latter is already weak. Against this background of frustration, contracts were sold off in the afternoon with the March Euro-dollar price finishing at the day's low of 91.92, having opened at a high of 92.01 compared with Friday's close of 91.99.

US Treasury bond futures acted in much the same way and The Deutsche Mark finished The Devische Mark bushed little changed against the dollar in Frankfurt, after the US currency recovery from the low of DM 2.4920 touched in the early afternoon. Short covering and commercial buying ahead of the year end pulled the dollar back to DM 2.5095, 1 CURRENCY MOVEMENTS

acted in much the same way and acted in much the same way and fluctuated constantly during the afternoon before settling for a downward tack and triggering some stop losses on the way. The March contract opened at 80-22 up from 80-18 and touched a high of 80-30 before closing at 80-01.

Sterling based instruments tended to reflect the furtures of the pound with a rise above \$1.50 pushing values firmer initially. However this level was not sustained and despite a slightly softer cash market, values came back to finish httle changed on the day.

FT-SE futures lost ground, reflecting the closure of the Singapore Stock Exchange. CURRENCY FUTURES POUND-S (FOREIGN EXCHANGE) Spot 1-mth. 3-mth. 6-mth. 12-mth. 1 4875 1 4832 1.4759 1 4664 1 4513 IMM-STERLING SE per E Latest High Low 1 4905 1.4975 1 4895 1 4790 1 4865 1 4790 1 4700 1 4765 1 4700

C25.000 \$ per £

Close High Low Prev
Dec 1.4882 1.4980 1.4895 1.4990
March 1.4770 1.4885 1.4905 1.4770
June 1.4680 7.4770 1.4770 1.4680
Estmalted volume 633 (585)
Prevvous dey's open int 3.961 (3.942)
LIFFE—DELITSCHE MARKS
DM 128.000 \$ per DM

Close H-gh Low Prev
Dec 0.3979 0.4065 0.3978 0.3988
March 0.4013 0.4032 0.4018 0.4022
June 0.4045
Estimated volume 88 (484)
Previous day's open int 240 (248) Arg'una, 1,1912 1.1935 0.8000-0.8010 Aus'alia, 2,2050 2,2090 1,4765-1,4785 Brazil... 13,930 14,006 9,355 9,400 Finland.. 8,0705-8,0935 5,4240 5,4260 Greece, 219,49,224,23 147,51,150,59 H'kong., 11,593 11,630 7,8015 7,8035 STERLING INDEX Dec. 2 Previous
8.30 am .... 81.2 80.9
9.00 am .... 81.3 80.9
10.00 am .... 81.5 80.8
11.00 am .... 81.6 81.0 11.00 am S.Af. Cm 4,1270 4,1615 2,7625 2,7855 S.Af. Fn., 4,7055 4,8585 3,1495 3,2520 U.A.E \_\_\_ 5,4860 5,4915 3,6720 3,6730 1.00 pm ..... 2.00 pm ..... 3.00 pm ..... 4.00 pm

EMS EUROPEAN CURRENCY UNIT RATES rate rate =1.5425 =1.8421 =1.455 =1.3854 =1.5162 =1.6673 =4.0856 +0 94 -0 80 -0 58 -1 71 -0 81 -0 58 -1 03 8.12857 2.23840 6.86402 2.52208 0:724578 1520.60 Danien Krone ... German D-mark French Fron: ... Dutch Gonder . Changes are for Edu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

#### **MONEY MARKETS**

## Bank urges cautious approach

of 2 per cent. having been as high as 15 per cent after in opening level of 112-12 per cent. Late balances were taken around 5 per cent. Longer term rates were a little easier with three-per training the per cent. month interbank money down to 11½-11½ per cent compared with 11½-112 per cent and three month eligible bank bills bid at 11-11) per cent from 11 2 per

nthe Bank of England forecast a shortage of around £1.000m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £20m and the unwinding of previous sale and repurchase agreements a further £238m. Exchequer transactions drained an additional £120m and banks brought forward balances £170m below target. These were partly offset by a fall in the note circulation of £330m.

The Bank gave assistance in the morning of £89m through

per cent, £23m in band 3 at 113
per cent and £3m in band 4 at
113; per cent It also provided
lare help of £820m, making a
total of £1,233m.

11,00 a.m. per, 2 In Frankfurt the Bundesbank announced a split tender for 35 and 63 day sale and repurchase agreements at a minimum

**NEW YORK RATES** (Lunchtime) Fed funds Fed funds at intervention Treasury Bills & Bonds

MONEY RATES Dec. 2 

The Bank of England provided more than adequate assistance in the London money market yesterday but in such a way as not to encourage hopes of an early cut in clearing bank base rates. The authorities' preference to provide a large chunk of late borrowing when many operators had hoped for sale and repurchase agreements tended to offset any encouragement gleaned from sterling's break to above \$1.50.

As a result of the over help, short term money touched a low of 2 per cent, having been as the sterling and the bank gave additional assistance in the afterment may also make provision for the extremely ught money outditions existing at the moment. Commercial banks withdrew around DM 3.3bn on provided a low of 2 per cent, having been as the first per cent. The first per cent at 11 to be allocated tomorrow and are likely to offset DM 9.Im of maturing 28 and 63 day agreements. Yesterday's ambuncement for the extremely ught money conditions existing at the moment. Commercial banks base lending rate 111 per cent since July 30 maturing 28 and 63 day agreements. Yesterday's ambuncement for the extremely ught money withdrew around DM 3.3bn on provided as high as 5.00-5.25 per cent.

-11.00 a.m., Dec. 2 Sie moning U.S. dollars Three months U.S. dollars

The fixing rates are the archmetic working day. The banks are National Means, rounded to the hearth con-suspentia, of the bid and offered rates Deutsche Bank. Bank Nationals de for \$10m quoted by the market to Paris and Morgan Guarenty Trust.

LONDON MONEY RATES Interbank...
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Local Authority Bonds
Discount visit Depos.
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Finance Hise Depos
Finance Hise Bepos
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Bank Bilts Buy
Pine Trace Bilts Buy
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ECU Depos 

March 0.00 0.01 0.03 0.11 0.31 0.65 1.09 LIFFE E/S OFTIONS E25,000 (cents per (1) Calls—La March 28.93 23.93 78.93 13.93 13.93 12.5.75 3.29 March 9 01 0 04 0 17 0 54 1 42 3 05 5.59 

LONDON SE E/S OPTIONS £12.500 (cents per 51) 14.60 9.85 5.80 0.15 0.25 1.00 3.10

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Appointments

#### SALES TRADING

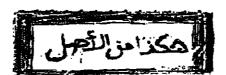
The institutional Sules Trading Department of a leading international investment group requires an experience analysis of European industrial environment of three years experience in analysis of European industrial environment — primarily for EEC countries with ability to relate to U.S. and non-U.S. equities markets. Candidates must be registered with NYSE and have privious relevant sales or trading beginnered and be able to communicate clearly and effectively with a wide range of professioners in a stressful environment. In addition, Candidates must cumonstrate ability to act as positor to sensor level institutions mustiment managers and corporate clients and trade personnel in New York, and London Cendidates, aged mid-twentist, must be educated to MBA degree and be fluent in Spanish, Italian, Greek or one of the Scandinavian languages in addition to Franch, English and German.

# **£** WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on December 2, 1985. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar partites and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (lik) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (e) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

Appanents	COUNTRY	GURRENCY	VALUE OF # STERLING	COUNTRY	CURRENCY	VALUE OF 4 STERLING	COUNTRY	CURRENCY	VALUE OF E STERLING
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Angertal   Sepansis   Presett.   251.29   Angertal	Algeria · ·	Erench Franc	1A 7.25			11,4550	Philippines	Philippine Peso	97 00
Guyanese   Guyanese	Andorra	Spanish Peseta.	231.29	Guatemala	U.S. S Quetzal	1,4875	Pitcaira Islands.,	New Zealand S	2.5040
Guyanese   Guyanese	Angola Antigua	. Kwanza. . E. Caribbean \$	45.9480 4,05	Guinez	Syli Peso	34,00 255.72	Poland	Zioty	217.13
Septime	Argentina	Austral	1.1924	1 Out 11.11.	Onlaises 5	6.2450	Portugal	. PortugueseEecudo	237.60
Berlinds	Australia	Schilling Schilling	2.2070 26,3050	Haiti,	Gourde	7,50	Puerto Rico	_ U.S. 5	1,4875
Septime	Azores Bahamas	Portuga'se Escudo Sn. Dollar	237.60 1.4875	Hong Kong	Lempira H.K. &	11,6100	Gatar	Qatari Ryal	5.4380
Septime	Bahrain	Dinar Son Barrers	0.5650				Reunion laland	- French Franc	12,4350
Septime	Bangladesh .	Taka	44.40	· · · .	1 1/		Romania.	- Leu	(Cm) 5.93
Sernation	Belgium	Barbades S	5.0170 cm 75.95	India	Ind. Rupes	-17 70	Rwanda	Stranda Franc	187,28
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Solivast   Solivast   Peace   Solivast   S	Benin	C.F.A. Franc	571.75	Iraq	iraqi binar . Irah Ji	~ ACDA -	St. Helena	. St. Helena I	1.0
Solination   Sol	Bhutan	Novitrum	17.70	israel	. Shekel	2,206,0	St. Lucia	East Carribean \$	4.05
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Maisgasy Republic MG Franc   10 79,58   1,3434	Brune: Bulgaria	Brune: &		Kampuchea.	Riel	N A	Senegal	. C.F.A. Franc	571,75
Maisgasy Republic MG Franc   10 79,58   1,3434	Burking Faso	C.F.A. Franc	571 75	Kenya	Kenya Shilling		Seychelles	S. Rupee	9,60
Maisgasy Republic MG Franc   10 79,58   1,3434	surma	Kyat	11.0000	Kores Ness	Won .	2,2070 1.41	Singapore.	Singapore &	3.1630
Maisgasy Republic MG Franc   10 79,58   1,3434		BOLDING FLANC	162,50	Korez Stn	Wan		Someti Beoutie	- Solomon Is. S	2.2751
Maisgasy Republic MG Franc   10 79,58   1,3434	Cameroon	C.F.A. Franc	571.75	Kuwait		0,4340	South Africa	Rand	4.1443
Maisgasy Republic MG Franc   10 79,58   1,3434	Canary Islands .	Spanish Pesata	2.0554	Laos.	New Kip		Spain	. Peseta	231,29
Maisgasy Republic MG Franc   10 79,58   1,3434	Cape Verde is	Cape V. Escudo	133,90	Lesotho	LADADASA L	26.23	North Africa	Peactz	231.29
Maisgasy Republic MG Franc   10 79,58   1,3434	Cent. Afr. Republic	C.F.A. Franc	1,2525 571.75		Liberian \$	1 4875	Sri Lanka	S. L. Rucee	40.55
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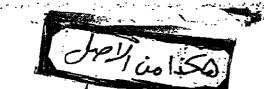
AMERICANS-Cont.

Financial Times Tuesday December 3 1985 HOTELS Continued Stock Price | Net Car S's PE ENGINEERING Continued LONDON SHARE SERVICE 1985 High Low Stock Price - Set Car Gris F/E | 200 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 

ENGINEERING

| 216 | APV 50n. | 255 | 208 | 330 | Aria Lixy | 363 | Aria Lixy | 363 | 363 | 416 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4112 | 4

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Financial Times Tuesday D	ecember 3 1985	PROPERTYContinued	INVESTMENT TRUSTS—Cont.	FINANCE, LAND—Cont.	MINES—Continued
1985	1985	1985   Stock	1985   1987	Heath   Lear   Stock   Proce   Het   Civr   Gr's   PE	Negh Lew   Stock   Price   Ret Car Gr's
170 110 detail Couries 135	15	-51, 3 London Securities. 4 52 120 Los Ship Prop. 148 495 L6 48 178 18 1122 Do Opt Cim 90-99 E147 -1 09°-107 25 297 Lymton Holps 20p 312 +1 605 10 28 473 18 255 MEPC 294 -1 105 6 52 6 37 156 Marin & Co 200 252 27 Marin & Co 200 252 28 27 38 Anthony & 222 28 28 28 28 28 28 28 28 28 28 28 28 28 2	113   Em. a intel T   140   h35 10 36     39   31   Do Warrarta   149   h35 10 36     111   Q Eng a NY Trist   10012-1   25 11 35     79   65   Ema & Scot. Ire   76   -1   r1.25 12 23     280   238   Emset Connect   278   -1   112 12 58     500   373   Do Dia 50e   50e   112 12 58     150   150   Emparant Assets DFII   151   -1   0010** 01 1 1 15     77   76   Fa C Admissed Irm   91   17 10   27     170   175   Fa C Exposers   145   -1   17 12   15     167   120   Fa C Parchic Iru   137   -3   E1.25 12   13     187   Family Iru Tu   242   241   241   241     181   330   Farbona Gen   240   1158 10   58     121   10   Fire Charlotte Assets   291   199 0 10   44     242   Fart Scot. Iru   292   199 0 10   44     243   245   245   245   245   245   245     247   247   247   247   247   247     248   248   248   248   248   248   248     248   248   248   248   248   248   248     249   248   248   248   248   248     240   248   248   248   248   248     240   248   248   248   248     241   248   248   248   248     242   248   248   248   248     243   248   248   248     244   248   248   248     245   248   248   248     246   248   248     247   248   248     248   248   248     248   248   248     249   248   248     240   248   248     241   248   248     242   248   248     243   248     244   248   248     245   248   248     246   248   248     246   248   248     247   248     248	550 280 Parmylis 1 1 550 +5 95	[46], [27] Amoly Am Jim 50c
114 68 Osteroof Gro — 97 -1 194 5 1.4 6.6 (4.3) 250 150 Other & Cleet 212 175 2.5 5.1 10.9 109 75 Utdate 200 — 83 40 2.6 6.9 7.4 58 37 (Ontometrics SO 01 60 +10 123 4 1.8 4.7 11.8 18 54 (1.4 1.8 1.8 1.8 1.8 1.8 1.8 1.8 1.8 1.8 1.8	55 35 4Rand Chde NV. 40. 122 20 116 5.9 at 131 38 48 48 48 48 48 48 48 48 48 48 48 48 48	95 117 Marie Euster . 185 30 31 23 170 15 103 14 Marie Euster . 185 107 18 15 103 18 16 107 18 15 107 18 15 107 18 15 107 18 15 107 18 15 107 18 15 107 18 1	181	13   114 cm Engr 200	123   875   8mg Rm   Chal 50c
117 £104, Precorder 500 — \$1.64; 10 15 7.7 0 9 18.7 325 248; Philosopher £1 313 - 12 125 25 57 7.8 1315 £225 Pares-Bors-Cru L. £333.46+17 055/s 14 — 68 48 Philosopher £00 — 52 — 2 62 67 14 73 3121; 12 62 Philosopher 162 28 32 25 1302 14 79 Philosopher £1 162 28 32 25 1302 14 79 Philosopher £1 112 8 — — — 54 38 De CemPa £1 47 10° - 304 — 688 500 Parish	105   93   97   97   97   97   11   145   1105   23   2   61     114   94   Unite TV R12   107   5.5   9   70     125   67   47   47   47   107   125   9   70     25   17   Nicon Los   50   127   05   50   62   2   67     26   17   Nicon Los   50   127   05   50   62   25     27   28   28   28   27   27   27   27	107 - Price Hiller, & Free   1.17   2.5 1 6 3.1 28.8     5217 - Price Pariser Ann.   315 - +5   164 67 37 2 1 2.5 2     5217 - Price Pariser Ann.   315 - +5   164 67 37 2 1 2.5 2     5217 - Price Pariser Ann.   315 - +5   164 67 37 2 1 2.5 2     522 - 17 - Price Pariser Ann.   124	## 15   39   39   39   39   39   39   39   3	105   105   17.3 reconstant in 1.2   2.25   33   38   65   17.3 reconstant in 1.2   2.25   33   38   65   17.3 reconstant in 1.2   2.25   33   38   65   31   1   2.25	34 15 Rand London 15c 126 (33 114 Rand Mines RI 127) at 0350c 28 52 (375 285 Parid New Proph PI 330 055c 28 52 (376 Parid New Proph PI 330 055c 25 51 (377 285 Parid New Proph PI 330 055c 25 51 (376 Parid New Proph PI 330 055c 25 51 (376 Parid New Proph PI 330 055c 25 51 (376 Parid New Proph PI 330 055c 25 51 (376 Parid New Proph PI 330 055c 25 51 (376 Parid New Proph PI 330 055c 28 52 51 (376 Parid New Proph PI 330 055c 28 52 51 (376 Parid New Proph PI 330 055c 28 52 51 (376 Parid New Proph PI 330 055c 28 52 51 (376 Parid New Proph PI 330 055c 28 52 51 (376 Parid New Proph PI 330 055c 28 52 51 (376 Parid New Proph PI 330 055c 28 52 52 (376 Parid New Proph PI 330 055c 28 52 52 (376 Parid New Proph PI 330 055c 28 52 52 (376 Parid New Proph PI 330 055c 28 52 52 (376 Parid New Proph PI 330 055c 28 52 52 (376 Parid New Proph PI 330 055c 28 52 52 (376 Parid New Proph PI 330 055c 28 52 52 (376 Parid New Proph PI 330 055c 28 52 52 (376 Parid New Proph PI 330 055c 28 52 52 (376 Parid New Proph PI 330 055c 28 52 52 (376 Parid New Proph PI 330 055c 28 52 52 (376 Parid New Proph PI 330 055c 28 52 52 (376 Parid New Proph PI 330 055c 28 52 52 (376 Parid New Proph PI 330 055c 28 52 52 (376 Parid New Proph PI 330 055c 28 52 52 (376 Parid New Proph PI 330 055c 28 52 (376 Parid New Proph PI 330 055c 28 52 (376 Parid New Proph PI 330 055c 28 52 (376 Parid New Proph PI 330 055c 28 52 (376 Parid New Proph PI 330 055c 28 52 (376 Parid New Proph PI 330 055c 28 52 (376 Parid New Proph PI 330 055c 28 52 (376 Parid New Proph PI 330 055c 28 52 (376 Parid New Proph PI 330 055c 28 52 (376 Parid New Proph PI 330 055c 28 52 (376 Parid New Proph PI 330 055c 28 52 (376 Parid New Proph PI 330 055c 28 52 (376 Parid New Proph PI 330 055c 28 52 (376 Parid New Proph PI 330 055c 28 52 (376 Parid New Proph PI 330 055c 28 52 (376 Parid New Proph PI 330 055c 28 52 (376 Pa
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120   92   Restrict   100	10   227   Local Inc. L1	105 1/10-5/1/10-1/10-1/10-5/10-5 2 33 Trips of Prop. 50 52 12.0 20 29 25.1 305 480 Ups Read Prop. 590 12.0 20 29 25.1 37 65 Water Chired 100 135 -2 075.08 08 - 185 525 Water Chizle 640 155 12.3 39.8 10 410 Water City of Lon 135 N2 31 46.2 4 46.7 118 86 Water Huls  80 20 267 13 39 264 18.0 118 86 Water Huls  125 22 267 13 39 29.0 126 130 West & Country 142 80 23 80 65 164 165 165 165 165 165 165 165 165 165 165	161 126 Like Visual Inv	124   72   Goal Per 50   72   21   0 7 5 24   8.5	28 14 VEnterprise Gin 16 27 4 27 4 27 4 27 4 27 4 27 4 27 4 27
283 182 Set Vilera   280	178   120 Callys 50s   182 +4   4.5 - 40   -1   83   40 Cone (17.15p   80   14.22 34 39 83   1020] 85 Dans Godrey   95   183.75 23 3.56 109   92   58 Gares (F G.)   76   -30 2.7 47 8.8   57   45   Garrield Liemmore   50 -2   41.0 - 2.9   -2   86   49 Startuells   753   40   6 7.8   6   152   96   Kensing Motor   145   65 1.5 6.4 (15.2)   88   32   41.240m (Fp. 109   35   62.5 2.0 10.2 (5.8)   100   83   Liplers   97   10.6 3.0 5.5 8.0   112   85   Perry Graun   112   125   55 10.6   113   185   Perry Graun   113   125   125   13.0   114   185   Perry Graun   113   125   125   13.0   115   185   Perry Graun   113   125   13.0   116   187   187   187   188   18	145 98   Gouss-Larsen \$1	270 175 Marris Airt S 13 61 180 113 73 Marris Airt S 13 61 18 -1	19	120   36   WALLERSON BL. 25C   36   -2
28	140 30 20 20 7	305   97   #11 Group.   303   625 3.9   29   11.2	333 2b)7 Sturra Ventore:  333 -1 55 11 2b 402 354 Here Court 506 385 15 13 2b 402 354 Here Court 506 57 76 62 Mere Barret Ol 151 67 39 27 Do Cao. 51 39 13 9 27 Do Cao. 139 14 15 15 19 28 Instel 15 15 19 28 Instel 15 15 19 28 Instel 15 15 19 28 Instel 15 15 19 28 Instel 15 15 19 28 Instel 15 15 19 28 Instel 15 15 19 28 Instel 15 16 28 Instel 15 16 28 Instel 15 16 28 Instel 15 16 28 Instel 15 16 28 Instel 15 16 28 Instel 15 16 28 Instel 15 16 28 Instel 15 17 18 18 18 18 18 18 18 18 18 18 18 18 18	61 23 New Court Nat. 59 32 145 18 7 4 91 210 45 New Court Offso 53 5 19 13 99 Zealand 84 & Cas. 17 406 70 99 Neght Nach Rev. 76 - 7 115 810 Rec's Heylor Nr 25 £13 1 0018 0 5 50 0 61 100 65 59 No Stat & Ger Ins 12 45 104 64 Neght Nach Rev. 36 6 5 105 106 Rec's Heylor Nr 25 £13 1 0018 0 5 6 30 61 135 12 90 no Rev. 31 6 5 140 14 170 lever Residence 31 5 2 140 14 170 lever Residence 31 6 2 150 12 170 heylor Neght 200 22 25 8 95 No Bet	72 48 **Panna &ing-Lan So 316 204 **Per-to-Walhead Sot. 241; 6/2*Per-to-Walhead Sot. 241; 6/2*Per-to-Walhead Sot. 230 -10 0/0k 6 21 241; 6/2*Per-to-Walhead Sot. 231 -1 **Panna Marand Gold 27 -11 **Panna Marand Gold 27 -12 **Panna Marand Gold 27 -13 **Panna Marand Gold 27 -13 **Panna Marand Gold 27 -14 **Panna Marand Gold 28 **Panna Marand Gold 28 **Panna Marand Marand 28 **Panna Marand 28 **Panna Marand 28 **Panna Marand 29 **Panna Marand 20 **Panna Marand 20 **Panna Marand 21 **Panna Marand 22 **Panna Marand 23 **Panna Marand 24 **Panna Marand 25 **Panna Marand 26 **Panna Marand 27 **Panna Marand 28 **Panna Marand 28 **Panna Marand 28 **Panna Marand 29 **Panna Marand 20 **Panna Marand 2
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316 95 154 I France Ver 50 20 20 20 20 20 30 30 30 30 30 30 30 30 30 30 30 30 30	530   461	371   371	200   228   Romery Trus     278   -5   Tab   10   24   11   11   10   10   10   11   16   11   16   17   17   17   17	17   5   53   53   53   53   53   53   53	255 180 Timpeg 150 170 033 29 250 90 Wingstan Harsul 110 0231 2 64 305 140 Tromb Stall 140 0231 12 64 305 140 Tromb Stall 140 0231 12 64 305 140 Tromb Stall 140 024 35 30 Anglo Domano 30 14 3 Anglo Domano 30 15 21 43 150 117 9Contential Stall 162
123 46 Universe	122   72   8479 FG 1.05   400   75.31 2.8 18 272   72   740   74	72 46 Jerome Histors 1	500 Sec. Alliance Fu	OVERSEAS TRADERS   1015 68 Aircan Labor   75   6125 82 24 55   41 25 Bornment (Trust 180 34 -1 05 53 21 96 95 51 Bornment (Trust 180 34 -1 05 53 21 96 95 51 Bornment (Trust 180 34 -1 05 53 21 96 95 51 Bornment (Trust 180 34 -1 05 53 21 96 95 15 Bornment (Trust 180 34 -1 05 53 21 96 95 16 14 30 96 17 16 14 30 96 17 16 14 30 96 17 16 16 14 30 96 17 16 16 16 30 16 16 16 16 16 16 16 16 16 16 16 16 16	335 195 Wilsoto Exploration 260 -5 55 23 When Sabra Re CS1 49 +1 7575 195 Retraction CS1 51 -15 885 517 RT2 51 517 -15 \$200.28 55 (135), Lillo, Do Risettin 95 2000. 1036 1150, Do Risettin 95 2000. 1036 1150, Do Risettin 95 2000. 1036 1150 -15 1037 -15 \$200.28 55 1138 000 850 Wilsother 95 2000. 1038 -15 1038
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102   102   104   105	400   Christerial	186   104   Border & Stan   10n   181   35   10   28   221   190   Branch Aveev   227   -1   176   109   58   331   225   287   64   58   58   58   58   58   58   58   5	178 to 3 - 300 to to 100 to 217 to 210 to 3 - 20 174 to 3	SCG   235   Grostofic Sc   209 - 11   0.100 c   0.33 q   1.11 ft   6.56   Kurton RI   411 - 39   0.575 c   9.12   1.35   6.56   Kurton RI   412 - 39   0.575 c   9.15   1.35   7.3   Kurton RI   2.5   4.0   1.37   7.3   7.3   Kurton RI   2.5   4.0   7.3   7.3   7.3   7.3   Kurton RI   35   7.3	The 1985 of Figures based on production or other official estimator for 1983  Giron T Figures became 2 Doubled total to date Althoroxytom of his devices, it as surprises of an entire of the entire of the entire official development of the entire of the e
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#### RECENT ISSUES **EQUITIES**

Far-Eastern stocks

on balance at 321p; Unilever added 1 at £121. Boots lost 7 at 258p and Reed International fell

10 to 700p. Pilkington closed 12 lower at 313p, after 310p; the interim results are scheduled for December 12.

Oils decline

Yet another warning on oil

Option
First Declara- Last Account

However, enthusiasin soon waned as market operators became increasingly nervous about the more sombre developments in the Far East; the Singapore stock exchange was closed indefinitely yesterday following the collapse of Pan-Electric Industries, a publicly-quoted company. quoted company.

quoted company.

The two major bid stocks traded actively, with Distillers touching 517p before settling at 505p, down 5 on the day. Argyll closed 11 higher at 348p. United Biscuits failed to match Imparial Company of the transit of the touch of the touch briefly. perial Group's offer terms, briefly touching 2920 and drifting back to close at 273p on fears that

touching 292p and drifting bark to close at 273p on fears that the bid will be referred to the Monopolies Commission. Imperial Group closed 4 off at 240p which makes its offer worth 300p per share.

Meanwhile, the marked deterioration in the tone was well illustrated by the Financial Times Ordinary share index which posted a rise of a point at the 10.00 om calculation before falling away steadily to record a fall of 15.4 at 3.00 pm. Lower opening andications from Wall Street further unsettled market sentiment and the index closed at the lowest of the day with a fall of 18.5 at 1124.4.

Selling was relatively light, but dealers were quick to lower the leaders on buyers remained on the sidelines. The current strength of sterling dampened enthusiasm for international stocks, while Store shares, which had led the market higher on a flurry of takeover speculation, sustained a sharp setback. Many other possible bid candidates eventually succumbed to profitiaking.

Government Interest in securities remained at a low level. However, the latest advance by the bound encouraged occasional demand for the mediums and lones which recorded gains extending to 1. High-coupon shorts were also inclined firmer.

#### Banks lower

Banks lower
Adverse Press comment unsettled the major relating banks.
NatWest lost 10 at 683p as did
Barclays at 443p, while Lloyds
and Midland cheapened 5 apiece
to 483p and 443p respectively.
Relatively subdued conditions
prevailed in Breweries. Allied-

**EQUITY GROUPS** 

& SUB-SECTIONS

CAPITAL GOODS (228)

Electronics (39)
Mechanical Engineering (61)
Metals and Metal Forming (7)

Leisure (24)...

Banks (6)...

Other Financial(24)...... Investment Trusts (106)

FT-SE 100 SHARE INDEX .

2 5-15 years ..

3 Over 15 years...

FIXED INTEREST

134.10

6 Sebestures & Lucis 112.20 -0.01 112.21

+0.03 [119.12

+0.14 | 133.90

139.72 +0.22 139.42

151.48 +0.08 151.59

131.47 +0.12 131.32

82.25 -0.31 82.50

Chemicals (18),. Office Equipment (4)
Shipping and Transport (10)
Miscellaneous (64) Tejephone Networks (2) 49 INDUSTRIAL GROUP (482)... 51 Oils (18).... 59 SGO SHARE INDEX (500)....

Pealings tions Dealings Day

Nov 11 Nov 21 Nov 22 Dec 2

Nov 25 Dec 5 Dec 6 Bec 16 Lyons dipped 13 to 287p amid thoughts that the unwelcome offer from Australia's Elders IXL may incur a reference to the Monopolies Commission.

Losses among leading Buildings were generally modest.

Argyll Group's bid for Distlilers, followed soon after by the
announcement of Imperial
Group's offer terms for United
Biscuits, although widely predicted, ensured a lively start to
the second leg of the current
cquity trading Account yesterday.

However, enthusiasm soon
waned as market operators
became increasingly nervous
about the more sombre developments in the Far East; the
Singapore stock exchange was

ing.
ICI drifted back to 7080 prior to closing a net 9 off at 710p. Among other Chemicals, British Benzol remained a firm market on shell operation hopes and gained 4 more to 42p.

BHS give ground Having enjoyed a particularly

impressive run recently amid bopes of a bumper Christmas spending spree, leading Retailers ears that spending spree, leading Retailers encountered occasional profittaking and drifted lower throughout the session to close orth 300p orth 300p marked currently involved in merger or a reserver and the spending spree, leading Retailers encounters and spending spree, leading Retailers encounters that spending spree, leading Retailers encounters are spending spree, leading Retailers encounters are spending spree, leading Retailers encountered to cocasional profit to compare the spending spree, leading Retailers encountered occasional profit to the decountered occasional profit to decountered occasional profit to decountered occasional profit to decountered occasional profit to decountered occasional profit to decountered occasional profit to decountered occasional profit to decountered occasional profit to decountered occasional profit to the d currently involved in merger negotiations with Habitat Mothercare, were hardest hit and fell 20 to 412p reflecting fading hopes of a counter-bid: the latter cased 6 to 534p, while Sears, widely mentioned as a possible suitor for BHS, gave up 21 to 114p. Gussies "A," 893p, lot most of Friday's gain of 13 which greeted the chairman's

to 114p. Gussies "A" 893p.
to to most of Friday's gain of 13
which greeted the chairman's
statement at the annual meeting.
Burton met fresh offerings and
dipped 13 to 560p, as did Harris
Queensway, 10 cheaper at 260p.
In contrast, Press comment
lifted S, Simpson 30 to 550p
with the "A" shares a like
amount to the good at 330p.
Revived speculative support
aided Ladies Pride, another 4
dearer at 35p, while late interest
was noted for S and U Stores,
finally 6 up at 35p, with the
Warrants a couple of pence
better at 15p.
Leading Electricals drifted
lower on light selling and lack
of support. Thorn EMI fell 12
to 417p, while British Telecom
relinquished 4 to 202p on news
that OFTEL is to review its
pricing policy. Racal dropped 4
to 146p as did STC to 90p, while
BICC relinquished a few pence
at 253p and Plessey softened 2
to 136p. CPS Computer, on the
other hand, firmed 3 to 38p in
reply to Press comment and
news of the group's processor
order worth £4.7m. Bumper
annual profits and a proposed
100 per cent scrip-issue left
Telecomputing 10 to the good at
373p.
Wire and Plastic provided an

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Mon Dec 2 1985

## FINANCIAL TIMES STOCK INDICES

Early gains eroded by fears over far eastern markets

index closes 18.5 down at 1124.4

Fixed Interest.... 89.38 89.38 89.46 189.35 89.34 89.37 86.11 Ordinary ♥ ... .... 1124.4 1142.9 1133.0 1138.9 1128.5 1146.9 924.9 Ord, Div. Yield ..... 4.30 4.32 4.30 4.32 4.26 4.60 Earnings, Yid. 3:fulb. 10.84 10.68 10.74 10.70 10.76 10.65 11.28 P/E Rabio (nat) (")...... 11.58 11.55 11.49 11.52 11.46 11.60 10.69 Total bargains (Est. 26,884 26,160 25,909 28,331 34,247 36,000 -Equity bargains,..... - 23,508 25,324 27,868 34,627 35,320 27,523 Shares traded [mi]... \_ 240.4 287.2 280.7 300.4 300.3 448.5

♥ 10 am 1143.9. 11 am 1143.5. Noon 1133.0. 1 pm 1128.9. 2 pm 1128.2. 3 pm 1127.5. 4 pm 1125.9. Day's High 1145.6. Day's Low 1124.4. Basis 100 Govt, Secs, 15/10/20, Fixed Int. 1928. Ordinary 1/7/35.

Gold Mines 12/9/55. SE Activity, 1974. Latest Index 01-246 8026. \* Nif = 10.98.

HIGHS AND LOWS	S.E. ACTIVITY
	INDICES

<b>-</b> ;	1985		Since Compilatin			Nov.	Nov -	
	High	Low	High	Low	Daily Gilt Edged		· -	
Goyt. Secs.	84,57 (18)10)	78,02 (28/1)	127,4 (8:1/65)	49,18 (5/1/75)	Bargains	15.982	!	
Fixed int	90.38 (28/10)	82.17 (28/1)	150,4 (28/11/47)		Bargains Value 5 dayAverage	8.0 <i>9</i> 2	164.1 1278,2	
Ordinary	1146.9 (25:11)	911.0 (25/7) .	1146.9 (25/11/85)	49,4	Gift Edged Bargains Equities		152.9	
Gold Mines;	536,9 (	217.6 (5;11)	734.7 (15/2)66)	45.6	Barceins	188,7 1207.0	207,1 1265,2	

outstanding firm feature in favourites faded following Engineerings, soaring 70 to details of the agreed merger 290p following Friday's late between Imperial Group and revelation that Saatchi and United Biscuits. Cadbury Saatchi had acquired a 10 per Schweppes, after early progress cent stake in the company; S.S., to 17-2p, encountered profit with annual results scheduled taking and settled 9 down on for Thursday, added 15 at 755p. balance at 166p, while Tate and Yarrow advanced 15 to 500p in Lyle lost 10 at 578p. Rowntree response to the surprise cash Mackintosh gave up 7 at 403p. outstanding firm feature in Engineerings, sooring 70 to 290p following Friday's late revelation that Saatchi and Saatchi had acquired a 10 per cent stake in the company; S.S., with annual results scheduled for Thursday, added 15 at 755p. Yarrow advanced 15 to 500p in response to the surrice cash Marley wanted

Yarrow advanced 15 to 500p in response to the surprise cash and share-exchange hid terms from Weir. 21 off at 81p. Birmingham Mint put on 15 to 120p in reply to an investment recommendation, while a flurry of speculative support lifted S. W. Wood 5 to 25p. Westland touched 73p initially following Pruss reports of a rescue bid, but later reacted on the Board's denial of any such imminent development to close unaltered at 68p. Pegler-Hattersley rose 3 to 330p abead of tomorrow's interim results, while improvements of 4 and 6 respectively were seen in Deritend Stamping, 197p, and Grown House. 170p. Among the quietly dull leaders. Vickers fell 10 to 288p; and Hawker dioped 8 at 427p. GKN.

373p.

Buying enthusiasm for some of the Food sector's recent takeover

Fri Nov 29

| No. | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clarge | Clar

| Index | Day's | Day's | Day's | Nov | Nov | Nov | Nov | Nov | Year | No. | Change | High | Low | 29 | 28 | 27 | 25 | 25 | 290 | 1418.5 | -20.6 | 1439.6 | 1418.5 | 1439.1 | 1429.3 | 1438.8 | 1432.9 | 1455.5 | 1191.7

AVERAGE GROSS REDEMPTION YIELDS

Tings Now 28

Wed Nov 27

Fri Nov 29

9.96 10.14 10.15 10.88 10.47 10.93 10.62 10.28 9.68

11.18

10.29 10.21 9.74 10.88 20.59 10.80 18.93 18.75 19.12 9.67

Moo Dec 2

9.95 10.12 10.13 10.86 10.45 10.92 10.92 10.59 18.26 9.68

11.33 11.23 11.14 Mackintosh gave up 7 at 403p.
Ranks Hovis McDougall shed 4
to 182p awaiting today's annual
results. Against the trend,
Watson and Philip found fresh
support and gained 7 to 137p.

Marley were active on talk of a bid from Norcros and closed 4 to the good at 122p, after 123p. Elsewhere in miscellaneous industrials, Christies International reflected revived US takeover speculation with a fresh rise of 8 at 288p, after 295p, while William Sinclair moved—up 14 to 158p, after 163p, in reply to an investment recommendation. Inferim profits from Dominion International pleased and the close was 7 higher at 109p, while speculative buying prompted a rise of 4 to 112p in Keep Trust and a gain of 6 to 209p in RK. Watson, Press comment attracted buyers to Midney E herter of the 122p in Active 12 per 1 Marley were active on talk of

ment attracted buyers to Widney, 5 better at 45p, and Cosalt, 13 dearer at 743p. Renewed demand ahead of tomorrow's interim results helped Cape Industries rise 3 to 64p, but profit-taking after last week's speculative spurt left Pearson 10 off at 410p, after 400p. British Aerospace retreated 10 to 471p and English China Clays lost 9 more to 289p; the latter in the absence of the

YESTERDAY'S

ACTIVE STOCKS

ally, slumped to 170p, a net fall of 15 after revealing preliminary profits substantially below revised estimates. Elsewhere, Overseas Traders with Far-Eastern exposure were marked sharply lower in the wake of the indefinite closure of the Singapore and Kuala Lumpur Stock Exchanges. Double-figure losses were recorded by Incheape, 300p, REA, 193p, and Harrisons and Crossield, 336p. Roustead closed 8 cheaper at 53p.

increasing pressure and retreated across a broad front. South African Golds and related issues were heavily sold at the outset following weekend developments in Durban where the newly-formed Congress of FRIDAY'S

# r was noted in yesterday. Closing Days price change 348 +11 412 -20 165 - 7 288 + 8 710 - 7 240 - 4 170 - 15 578 - 10 Day's change +18 +22 +10 +22 + 7 +12 +19 +5

ite and Lyk nited Biscu ire and Plas	its	273 290	- 10 - 5 +70		Ferries Ston Br		1 14	44
. EU	ROP	EAN	0P	rion	S E	XCI	IAN	GE
Ser	ries ,	Vol.	Lest	Vol. j	ay Last	Vol.	ug. Last	Stock
GOLD C GOLD C GOLD C GOLD P	5320 £340 5360 5300	10 13 7	14   4.50   2   1.70	52	10.50	3		
	•	D	ec.	Marc	ah.	Jus	10	
SILVER C SILVER C SILVER P SILVER P E/FR C	5600; \$650; \$650; \$650; FR430;	40 12 -	10 10 - j		= ! = !	2 - - 3 10	5 2.50	\$608 Fr431.66

i	GOLD C COLD C GOLD P	2340 2360 2300	13 7 10	4.50 2 1.70	52	10.50	2	8	] ;
ı				Dec.	Ma	roh	ي ل	ne .	
ı	SILVER C	5600:		· - '		. –	. 2	ı 62	\$508
ŀ	SILVER C	\$650	40	5	-	i -	. –	' -	,
ı	SILVER P	\$600; \$650;	12	10	=	=	. 3	5	i 🐮
ſ	LIFR C	FR430 F1.280	-	( _ <del>_</del>	=	<u>' –                               </u>	10	2,80	Fr481.66
1	Sifl C Sifl C	F1.280, F1.285	28 53	5.50 1.50	11 50	7.50	1 10	7.50	F1.282.15
ł	S/FL C	F1,290	80	0.70	75	: 8.90	į <u> </u>	] "	7 .
ı	शह∟ C शह∟ C	F1.295	13 28	0.30	11 12	1,80	4	3.50	
ı	S/FL C	FI.3D5:	120	0.20	-	1	ļ <u> </u>		
ł	SIFL G SIFL P	FI.875	1	0.20	-	6,20	1 =	i =	
ł	SIFL P	F1,260	265	2	224	8,10	4	11.70	1 11
J	S.FL. P.	F1.285)	173	5,20	51	:10,80	41	1 14	
ı	&FL P	F1.290	396 33	8.80 A	48 81	17.75	10	16,50 20,20	
ł	SIFL P	F1.294 F1.300	18	19	7	21,50	i —		"
2	K/FL P	F1.305 F).\$10	136 20	23.50	- 2	30 B	Ξ	1 =	•
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1	\$/FL P	FI.350	5	49	. 22	6.50	¦ = .	j I	DM250.95
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I.				U1.	٠ .	pr.		July	
ľ	ABN C	F1.560	142	5.50 }		1 12 .			F1.535.50
ı	ABN P	FI.540!	80	12.30	28	18	_	-	
	AEGN C .	FI.116	176 90	5.50 5.50	26 4	7.50	2 <u>2</u> 17	8.50	FI.112.50
	AEGN P AH G.	FL115 PL72.50	81	4.50	13	7.50 A		7	FL 75,20
ı.	AH P	F1.70:	BO !	1,20 :	30	2.10	_1	1 2,6Q	FI.136.20
ľ	AKZO C	FI.130: FI.140:	862 72	8,20 B	. 88 151	7.50	14 28	13.50 9.10 B	FI.136,00
	AMRO C	F1.105	29	1.10	409	3,20	- 3	4.70	F1.98,50
1	AMRO P	FI.96	26	1.90	336	63.80	5	4.50	F1.252.30
	GIST C	F1.260	241	5.80 (		10.90	6 1	. 14 A;	F1.202.00
	GIST P Hein C	F1,250, F1,210	59 125	7.20 B	10 168	10 11.50 A	_	!	F1.211
ľ	HEIN P	FJ.2001	135	3,90	24	. <b>6.90</b> i	10	1 8 1	
u	HOOG C	F1.70	249	4.30 A	50 46	3.60	18 27	4.50	F1.71.70
	HOOG P Klay C	FI.65	272	0.20	40	: !		7.52	FI.52.30
ı	KLM P	F1.50	195 ;	1.30 '	51	2,30	**	- 1	F1.2Ö4,78
	NEDL C	F1,220	152	3.60	88 34	7.10 2.50		_ :	F1.204,/8
	NATH C	F1.85	15	1,30	21	Ťž ,	45	7.80	FI. \$1,60
١,	NATN P	FI.80	€.	2 .	5	2,60	31	4	_11
li	PETRIC	Fr.7500	11 1	95	000	- I	931	5,10 7	Fr.7ő40 Fl. 56.20
Į	PHIL C .	F1.55	848 Í 188 í	2.70 ( 0.60 :	222	4.3 1,30	22	1 70	
П	2DC	FI.190	599	1.40	366	4,40	52	6 :	FI.179
ľ	10 P	7.180 1	898	3.80 i	326	5.90	90 /	8.10	fl. 80,10
	ROBE C	F1.82.55 F1.400	24   355	0.50	73	13,10	:	~ "	FL390
	JNJL P.E · ·		98 !	1,00 J		7	<b>–</b> j	<b></b> :	,,
	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,								

B=Bid

South African Trade Unions held a mass rally and called for major political reforms in the Republic as well as the nationalisation of mines and other major industries.

The Financial Rand immediately and designs and designs.

dipped 64 to 123p and Jardine dipped 64 to 123p and Jardine Matheson lost the same amount to 107p. With the exception of Hanson Trust, a penny degrer at 210p ahead of Thursday's preliminary figures, the leaders gave ground on profit-taking, Beecham touched 328p initially amid vague rumours of a bid ing of golds from New York from Unilever, but fell away to finish a couple of pence easier on balance at 321p; Unilever added 4 at £123. Boots lost 7 at 2580 and Reed International fell of 36.7 over the past five of 36.7 over the past five sessions.

#### **NEW HIGHS AND** LOWS FOR 1985

interim results are scheduled for December 12. Among Leisure issues, Aspin- ali Holdings gained 4 more to	NEW HIGHS AND LOWS FOR 1985	
180p as takeover rumours per-	NEW HIGHS (77)	L
sisted. Chrysalis shed 3 to 222p	NEW MICHS (11)	I٠
following the disappointing	BRITISH FUNDS (9)	١
aonual results.	Treat. 3pc 1986 Exchar. 91:pc 1998 Exchar. 11pc 1989 Conv. 94pc 2001	ł
Among Properties London and	Treas. 12pc 1995 Treas. 91epc 2002	ı
Edinburgh responded to small	Trees. 14pc 1995 Conv. 31pc '61 Aft. Trees. 134pc '97	Ι.
buying in a restricted market	INT. BK. & O'SEAS GOVT. STLG. ISS. (4)	1,
and rose 15 to 485p, while	African Dev. Bk. Int-Am. Dev. Bk.	۱,
Lynton firmed 4 to 312p in reply	11 lac 2010 12 pe 2003 Australia 13 pe 10 Sweden 13 pe 2010	L
to the good interim results.	LOANS (1)	١,
Evans of Leeds added a penny	Invin (nd. 90c '91-94	1
to 92p on news of increased half-	AMERICANS (1) Campbell Sour	1
	BUILDINGS (3)	١.
year earnings. Estate agents	Aberdeen Constr. Helical Bar	١,
Connells shed 4 to 168p follow-	Borkeley Group	16
ing acquisition news, but Han-	Snia BPD CHEMICALS (1)	18
over Investments revived with	STORES (4)	łs
a gain of 5 at 153p. Regalian	Ladies Price S. & U. Stores	L
were quoted ex all at 405p, up	Moss Bros. Simpson IS.) A. ELECTRICALS (4)	l
10, after 445p; the new nil paid	CAP James Serroud	13
shares touched 190p premium	Electrocomponents Thermal Scientific ENGINEERING (6)	lä
prior to closing at 145p	Cook (Wm.) Pepler-Hatterslev	Ī.
	Crown House Spencer Clark	15
premium.	Decitional Triplex FOODS (8)	ľ
	Argyll Group RHM	1 -
Otto destina	Most Trade Suppirs. Tate & Lyle	١.

prices—the Kuwaiti oil minister predicted that oil prices could fall to \$25 a barrel in the Spring fall to \$25 a barrel in the Spring—and growing unease over next weekend's Opec meeting caused a further decline in oils. The sector was additionally unsettled by the continued strength of sterling against the dollar. The leaders retreated from the outset and generally settled around the day's lowest levels. Shell and BP were hard hit with the latter finally 10 cheaper at 560p and the former 13 lower at 650p. LASMO retreated 8 to a year's low of 220p, while falls of 5 were common to Tricentrol, 140p, and Ultramar, 200p. Second-line Mountiergh TEXTILES (2)
Leeds TRUSTS 8)
Hambros Warrants Morray Inc. 8
Leeds Inv. Cab. Thros. Sec. Get.
Mag 2 not Duel Inc. Parrish (). TJ

Ultramar, 200p. Second-line issues were similarly depressed. Triton Europe dipped 15 to 325p and Bryson lost 8 to 80p, but Petranol railied 10 to 120p.

Polly Peck, up to 190p initially, siumped to 170p, a net fall of 15 after revealing preliminary NEW LOWS (54) AMERICANS (1) Bedford (Wm.)
ELECTRICALS (1) INDUSTRIALS (4) Muss.) Restmor CHINE Light (NSURANCE (1) PWS International

LEISURE (1) PROPERTY (2) Lond Losse PROPERTY C27
TRUSTERS CONTROL TRUST
Ballie Gifford Tech. Plantaction Trust
lapan Assets. Do. Warrants
Martin Currie
Pacific Assets. Viking Resources
Wennys Inv.
Amaly d Fin. Inv.
Co. Ser. Wits.
Pacific Inv. Tst. Wis.
Pacific Inv. Tst. Wis.
Bridge Oil

Bridge Oil

Marinex

OVERSEAS TRADERS (2)

110 F.P. 18/12 154 124 51/71p F.P. — 69 68 F.P. — 21/2 16 51/10 F.P. | 2112 590 F.P. 5/11/122 100 50 6/12/5412 588 F.P. 8/11, 96 96 F.P. 8/11, 96 96 F.P. 8/11, 96 100 50 26/2 4912 172 F.P. 11/12 67 65 F.P. 20/12 306 114 F.P. 10/1 113 190 F.P. 10/1 113 190 F.P. 22/11, 98 125 F.P. 18/12 145 126 F.P. 18/12 145 127 F.P. 8/11/182 127 F.P. 8/11/182 128 F.P. 18/12/145 129 F.P. 18/12/145 120 F.P. 18/12/145 120 F.P. 18/12/145 120 F.P. 18/12/145 120 F.P. 22/11/192 bg2.2 4.3 3.1 10.8 AGISDORI JURIS - 52
HAMPODEN HOME 105
HAMPODEN HOME 105
HAMPODEN HOME 103
HAMPODEN HOME 103
HAMPODEN HOME 103
HAMPODEN HOME 103
HAMPODEN HOME 105
HENDEN HOME \$118 F.P. 20/12/128 \$180 F.P. 20/12/128 \$90 F.P. 103 \$128 F.P. 20/12/175 119 195 92 150

FIXED INTEREST STOCKS

issue price	Amount paid up	Latest sanumo, date	1985	,	Stock	Closing	  -
<u> </u>	22	<u> </u>	HIĐU, L				-
87.805	052,		327g	295	Bank of Greece 1012Ln. 2010	32 d	
91.448	NII	17/1 8/1	10pm	πōρu	Biomechanics to Part Deb. 2005-09.	10 4	-412
\$100 \$96,456	£10 £25	27/17	10%  118%	991	Bristol Water Attack Most Deb 2025	9912	
1,44	F.P.	23/1	109 ! 1	.08	Bunzi 75 Care, Dris. Dr. 1002	111	
. 0	Nil	116	ilppm 4	6611	Cont. Microwave Do City Nort Deb 2018	4414	
	£10	3/12 30/1	10ae!		East Anglian Water 11.5%Rd.Db.1955-97 East X Water 11.5%Rd.Deb. 1955-97 Essex Water 11.5% Red. Deb. 2005.09	10%	
	£10 £10	30/1 30/1	1056 1056				
\$97.617 <b>99</b>	£25 F.P.	31/1			Evans of Leeds 112 ist. Mort Deb. 20.25 Gable Hse, Props. 1054% Cmv. Ln. 95:98	162	
	£25	10/1 24/1		244	Hasiemere 10123 IST MOTE 2010	32	
\$92,898	£25 F.P.	31/1	254g	2576	Land Securities 10% Deb. 20 17:11/86	100 .	
198,43	£26	21/2	255	241	Peachey Prop. 1076 Ist Mid L Date 114	4012	
189,518	F.P.	19/4	405.	595	Safeway Deep Ols. atepped Silvaria 2014	31	
•97,25°	063 lin	30/4					
\$98,650		10/1	1004	99.	Yeoman Inv. Tst. 114% Deb. 2015	100.4	

RIGHTS OFFERS

Issue	d up	Latest Renunc.	198	5	Stock	Glosing price	  -
price	₹ <u>B</u>	date	Kigh	Low	i	<u> </u>	_
914 280 145 25 270 130 94 106 565 212 60 240 187	MII MII F.P. MII MII F.P.	10/1 	1½pm 64pm 85pm 55qm 55qm 50pm 16pm 16pm 175 80pm 4pm 4pm 4pm 4pm 190pm 45pm 36pm	80pm 83pm 40 40pm 13pm 13pm 125 73pm 12pm 14pm 14pm 14pm 14pm	Barker & Dobson 1p Bastwood 15p Bastwood 15p Bodycote Int'. Comm. Bk. Wales. Fisher (Albert) 5p. Liucas Inds. £1. Semestas Sciences 25p Light Sp. Ligh	23pm 46pm 37pm 14pm 134 73pm 4pm 21pm 145pm	

Renunciation date usually lest day for dealing free of stamp duty. b Figures based on prospectus estimates, g Assumed dividend and yield. H Dividend and Yield based on prospectus or other official estimates for 1985. u forecast otherwise Indicated. I lessed by tender. § Officed bolders of ordinary shares as a "rights." \*\* Issued by way of capitalisation. § Piecing price. §§ Reintroduced. If issued in connection with reorganisation merger or takeover. B Allotment price. §; Dealt in under Rule 535 (4) (a). † Units comprising 5 ordinary shares and 1 warrant.

**OPTIONS** Last Last For Deal- Declara- Settleings ings tion ment Nov 18 Nov 29 Feb 20 Mar 3 Dec 2 Dec 13 Mar 6 Mar 17 Dec 16 Jan 3 Mar 26 Apr 7 For rate indications see end of Unit Trust Service Stocks favoured for the call Millbourn, PWS International, Parkfield Foundries, Fergabrook, Renold, Atlantic Resources, Aran Energy, Fine Art Developments, Sound Diffuscion, John Brown,

house Forte, Kwik-Fit, GEC and Sears. A nut was done in Cad-bury Schweppes, but no doubles were reported.

RISES AND FALLS YESTERDAY

23 36 400 931 228 297 46 74 10 7 92 87 113 113 927 1,575 Aurora, DDT, AS.A-MFI, Trust-

					ND		TR	ADED	OPT		_				
l	_	1	CALLS		•	PUTS		l		, 0	ALLS		,	PUTS	
₩v-≥ Optic	nt _	Jan.	Apr.	July	Jan.	ADT.	July	Opt	on	Feb.	Мау	Aug.	Feb.	May	Aug.
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Cons. Gold (*487)	460 500 550 600	50 21 11 3	85 17	75 45 26	11 40 72	52 52 82	87 87	Recal (*146)	120 180 140 160	52 24 16 8	40 52 22 22 15	36 30 22	2 3 7 18	5 6 11 22	8 15 24
Courtaulds (*191)	140 180 180 200	54 34 15 7	38 23 13	61 42 27 16	1 4 15	8 6 18	11g 5 8 21	R.T.Z. (*524)	500 550 600	38 20 7	54 30 17	65 88	36 15 42 90	24 52 92	28 60
Com. Union (*229)	200 220 240 260	36 20 10 4	40 28 18 10	36 26 15	11 <sub>8</sub> 5 17 35	3 7 22 39	9 23 40	Vani Roc (*\$64)	8 60 70 80 90	10 614 212 114	4	15 91 <sub>8</sub>	5 91 <sub>2</sub> 17 27	7:2 12:12 19:12	954 16
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Marks & Sp. (*180)	_	55 45 24 10	59 49 80 16	- 35 19	1 1 112 10	1½ 3 5	30 - 6 15	Bass (*662)	550 600	12 5 115 65	26 13 152 82	35 160 100	15 40 2	20 45 4	6 10
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BAT Inds (*278)	200 580 560	28 17 10	38 25 15	35 25	6 14 38	\$0 20	25 38	Hanson	1460 1500 1550	100 75 40	165	225 190 160	7 25 45	25 40 70	45 65 85
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BritTelecom (*202)	150 180 200	15 44 24 10	23 52 16	35 38 22	45 J	48 3 10	58 	(*419) Tesco (*295)	390 420 256 260	32 15	75 50 28	95 60 42	1 1 1 1	12 20	7 17 32
Imperial Gr. (*241)	160   160   160   200	87 67 50	90 1 70 54	18 - 59	1	1 1 212	24 - 3		280 300	32	50 32 18	58 42 24	4 9	9 18	7 12 23
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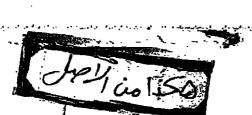
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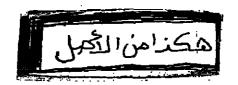
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## WORLD STOCK MARKETS



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Prices at 3pm, December 2 Speck Bin LTV prices of the LT | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 190 | 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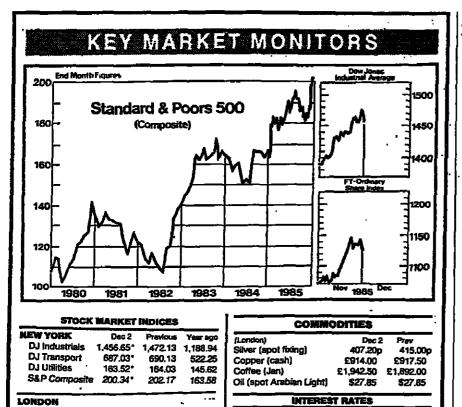
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# **FINANCIAL TIMES**

WORLD STOCK MARKETS



FT Ord	1,142,9	1,142.9	917.3	Euro-curre			Dec 2	Prev
FT-SE 100	1,439.1	1,439.1	1,181.3	(3-month off	ered rate)		<b>-</b> -	
FT-A All-share				£ SPr			11%	11% 4%
FT-A 500	755.82			DM			4% 4%	41%
FT Gold mines	285.8	285.8	544.3	FFr			10%	10
Ft-A Long gilt	10.26	10.28	10.12	FT London	Interbeni		10~	10
				(offered rate				
TOKYO				3-1700	วารุ่ก U.S.\$	1	87.	8%s
Nikkel	12.796.92	12,763.27	11,428.9		anth U.S.\$		8 <del>7</del> 16	8%e
Tokyo SE	1,007.81	1,006.5	875.81	U.S. Fed Pa			8%*	7%
AUSTRALIA				U.S.3-mon			7.80° 7.23°	7.90 7.39
All Ord.	988.2	'990.6	749.0	U.3.3-mou	IP 1-DAIS	•	-23	7.00
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Credit Aktien	186.55	115.19	58.38	1	Pnce	Yield	Price	Yleid
DISCH VICTORIA	100,33	113.13	30.30	8½ 1987	1001/2	8,482	100%	8.50
BELGIUM				9% 1992	101%	9.517	101%	9,48
Belgian SE	2,962,96	2 005 07		9% 1995	983%2	9.668	997£	9.64
Deglar JE	2,302.30	2,300.07		9% 2015	99' <del>%</del>	9.927	9927/2	9,91
CANADA				. <del></del>				
Toronto				Treesury in	dez			
Metals & Minis	1.907.50*	1,929,92	1.873.00	l	_	Dec 26*		_
Composite	2,835.1	2,857.1	2,368.5	Maturity	Return	Day's	Yield	Day's
Montreal				(years)	index	change		change
Portfolio	137.13*	138.40	118.27	1–30	133.93	0.09	9.19	+0.04
				1–10	131.52	-0.01	8.92	
DENMARK				1– 3	127.49	+0.05	8.44	+0.04
SE	223.55	223.91	168.28	3-5	133.26	+0.00	9.12	+0.03
FRANCE				15–30	142.52	0.38	10.13	+0.04
CAC Gen	046.4	047.6		Source: Men	riii Lynch			
Ind. Tendance	245.1 141.1	247.5 142.2	181.0 99.8	ł ———				
BIG. 161091GB	141.1	1422	33.0	Corporate		c 2°	Pre	₩
WEST GERMAN	1			AT&T	Price		Price	Yleid
FAZ-Aktien	571.94	583.62	372.82	10% June 19		10.00	102%	9.70
Commerzbank	1,689.2	1.725.6	1.089.9	3% July 199		7.95	84%	7.85
		·		8% May 200	0 87%	10.48	871/4	10,48
HONG KONG	<u> </u>			Xerox				
Hang Seng	1.694.57	1,716,95	1.128.10	10% Mar 199	3 1 <i>0</i> 2	10.25	102%	10.17
				Diamond Sha	mrock			
ITALY				10% May 199	3 100	10.625	100	10.625
Banca Comm.	444.11	440.07	215.15	Federated De				
				10% May 201		11.20	96%	11.15
NETHERLANDS					J 3071	1120	30/8	11.13
ANP-CBS Gen	239.2	239.4	177.5	Abbot Lab				
ANP-CBS Ind	217.0	216.7	140.1	11.80 Feb 201	3 106%	11.05	104%	11.25

396 38 397.85 272.83

132.83

1,630.58 1,622.74 1,341.56

542.2

245.4

Dec 2 \$319.75

\$322.25

\$325.08

S322.30

1.4875

3.75

303.5

11.435

3.13 4.21

2,550.0

75.95

2.0634

545.9

245.6

GOLD (per ounce)

2.511

202.1

2.081

2.8205

1,714.5

51.05

1.3825

695.43 817.58

377.6

Yearage

184.3

Prev \$325.00

\$326.65

\$328.70

\$327.00

\$327,30

1.4885 3.7375

300.75

11.4125

3.0975

2,552.0

2.0583

76.0

11429 11429

Oslo SE

SINGAPORE

Straits Times

SOUTH AFRICA

JSE Golds JSE Industrials

Medrid SE

SWITZERLAND

Capital Int'l

Swiss Bank Ind

SPAIN

SWEDEN

WORLD

London

DM Yen FFr SFr Guille Lira

Paris (fixing)

New York (Feb)

2,521

2.1035

2.831

9173

Hong Kong Hang Seng Index July 31. 1964-100  1500  Aug Sep Doct Nov D	\$1m points Dec 20-year I £50,000 32 Dec	91.91 52.95 91 lotional GRt hds of 100% 112-18 113-30 112-	
1700 Hang Kong Hang Seng Index July 31. 1964-100  1500 Aug Sep Oct Nov 3	" Latest aven	able tigures	<u></u>
	1500	Hang Seng Index July 31, 1964-100	Nov D

12% Dec 2012 103% 11.95 104% 11.70

FINANCIAL FUTURES

Certificates of Deposit (IMM)

\$1m points of 100%

Latest High

81-14 82-05 81-07 81-21

92.95 92.97 92.92 92.98

92.17 92.20 92.17 92.24

CHICAGO

**WALL STREET** 

## Retreat gathers momentum

A BOUT of profit-taking again left Wall Street stock markets retreating from last Wednesday's record high although analysts described yesterday's downturn as an orderly correction, writes Michael Morgan in New York.

At 3pm the Dow Jones industrial average was down 15.48 at 1,456.65.

In the credit markets, a firmer than expected federal funds rate, together with the results of a survey of purchasing managers showing that the economy improved again in November, left prices of Treasury coupon issues lower in early dealing.

Prices picked up, however, to around Friday's closing levels before the Fed stepped in with the addition of temporary funds through a three-day system repurchase agreement when the Fed funds rate was 8% per cent. Bond and note prices later eased back with an unexpected delay in publication of the in-dex of leading indicators for October ad-ding to a hesitant mood.

In the stock markets, Texaco was again heavily traded, down \$1/2 at \$32 amid reports that the company's lawyers are seeking a one-week delay of the hearing set for Thursday on a Texas jury's \$10.5bn award against it.

Other oil stocks also continued lower, with Standard Oil of Ohio down \$1% at \$50%, Chevron off \$% at \$37% and Atlantic Richfield \$1% lower at \$65%.

Among blue chips, IBM lost \$% to \$138%, General Motors \$% to \$69% and General Electric \$1/2 to \$641/4.

Retailers were mixed despite reports of strong sales as the official Christmas shopping season began in the wake of the Thanksgiving holiday. R. H. Macy traded unchanged at \$61%, Sears Roe-buck was \$\% lower at \$36\% and J. C. Penney was \$\% higher at \$54. Stop & Shop, the supermarket and

discount stores chain, was \$1% lower at

\$39% reporting third-quarter net income down to 34 cents a share from 66 cents a year ago. Elder-Beerman Stores, with department stores in Ohio, was \$1 lower at \$21% despite higher third-quarter net In the high-technology sector, Com-modore International eased \$\% follow-

ing plans to reorganise top management. Stock in NEC of Japan, traded as American Depository Receipts, gained \$% to \$30% as it announced increases in the price of memory chips.

Controll Data shed \$½ to \$18% as it

sold the direct equipment finance portfolio of its commercial credit equipment unit to Sanwa Bank of Tokyo.

United Technologies, the aerospace \$41% as machinists began the first strike in 25 years at three of its Pratt & Whitney plants after rejecting a threeyear contract offer.

Brokerage stocks drew little comfort from analyst's expectations that the sector was likely to post pre-tax profits of about \$3.5bn for this year - the second best result yet and twice the 1984 out-come. Merrill Lynch was down 5% at \$33¼, Phibro Salomon \$1 at \$42<del>%</del>, E. F. Hutton \$% at \$35% and Paine Webber \$%

On the takeover front, SCM was \$% easier at \$72% as Hanson Trust extended the expiry date for its cash ten-der offer to December 23.

Rorer group was down another \$1% to \$33% in continued reaction to its agreement to buy Revion's ethical pharmaceutical business. Pantry Pride, which recently acquired Revlon, eased \$\% to

Actively traded stocks on the New York Stock Exchange included Baxter Travenol, \$\%\ lower at \$14\%, AT&T \$\%\ easier at \$23%, and Eastern Air Lines, \$% higher at \$6%.

In the bond markets, the price of the key 9% bond of 2015 dipped 1/2 having been 61/2 higher at one stage. The 9½ per cent notes, due in 1995, were 1/2 lower at

Among short-term securities, the yield on the three-month bill at 7.19 per cent was four basis points higher while the six-month bill, yielding 7.27 per cent, was two basis points higher.

#### LONDON

NERVOUSNESS over Far Eastern markets eroded early enthusiasm which had been sparked by takeover activity in London yesterday.

trimmed 18.5 from the FT Ordinary share index which closed at 1,124.4 after

The lively start to the session followed Argyll Group's bid for Distillers and the announcement of Imperial Group's offer terms for United Biscuits. All the shares traded actively, with Argyll closing 11p up at 348p, while Distillers was 5p down at 505p. Imperial Group shed 4p to 240p, and United Biscuits lost 5p to 273p. Stores were sharply down after lead-

ing the market higher in recent sessions on takeover speculation. British Home

Chief prices changes, Page 39; Share information service, Page 38; Details, Pages 36-37

#### HONG KONG

CONCERN over suspension of trading in Singapore and Kuala Lumpur took

volving Amev, the Dutch insurance group, and Kai Hing Enterprise, of Hong Kong, taking a substantial minori-ty stake in Ka Wah. It last traded on Fri-

#### AUSTRALIA

to weaken Sydney, and the All Ordina-ries index closed 2.5 lower at 988.2.

cents to A\$3.50.

Banks went against the trend and closed generally firmer. Westpac added 2 cents to A\$4.55, and ANZ was 3 cents up at A\$4.78 while National Australia

GOLDS drifted lower in Johannesburg largely because of the weaker international bullion price.

Mining financial Anglo American Corp was also down, losing 40 cents to R37.75. Other minings followed the trend, with Rustenburg Platinum down 75 cents at R25.25 and diamond share De Beers 40 cents lower at R15.10.

AE&CI firmed 5 cents to R9.40 while Barlow Rand slipped 35 cents to R13.75.

A TECHNICAL retreat took Toronto

C\$34%, Bank of Montreal C\$% down to C\$33% and National Bank of Canada C\$% down to C\$22%.

leum firmed 5 cents to C\$3.40 and Mitel added C5% to C\$9%.

generally lower after recent gains.

The worries over the closure of the Singapore and Kuala Lumpur markets a 1-point rise earlier in the day.

Stores lost 20p to 412p. Interest in government securities re-mained low, but some demand for medi-

ums and longs resulted in gains of up

Hong Kong sharply lower.

The Hang Seng index was under pressure throughout the day, losing 15 points in the first hour of trading. It closed 22.38 down at 1,694.57.

Among banks Hang Seng shed 75 cents to HK\$46.25, Hongkong and Shanghai lost 5 cents to HK\$7.70 and Bank of East Asia was 10 cents down at

Trading in the shares of Ka Wah Bank was suspended on news that it was discussing a capital restructuring plan in-

day 10 cents up at HK\$1.12. Swire Pacific fell 50 cents to HK\$29 despite an announcement that Caledonian Far East had withdrawn an application to fly from Hong Kong in competition with Swire's Cathay Pacific

LOWER international gold prices helped

Brokers also blamed the downward trend on a lack of overseas interest, but said the market might now have bot-

Among mines Western Mining was 6 cents lower at A\$3.22, Bougainville was 3 cents down at A\$1.80, MIM slipped 3 cents to A\$2.45 and Poseidon shed 10

Bank closed unchanged at A\$4.70.

Elsewhere, BHP slipped 6 cents to A\$11.50 and Elders IXL lost 2 cents to

#### **SOUTH AFRICA**

Among gold mines Buffels shed R2.50 to R79, Driefontein was R3.75 lower at R49.75 and FS Geduld tumbled R4 to

Elsewhere among industrial leaders

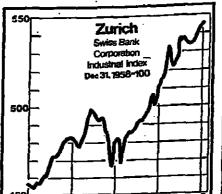
#### CANADA

lower after Friday's record high.

Banks, which had helped pace last week's rally, traded generally lower, with Royal Bank of Canada C\$% down to

Among actives Canadian Pacific slipped C\$% to C\$17% while Dome Petro-

In Montreal all sectors also traded



**EUROPE** 

## **Bulls rub** elbows with profit-takers

THE BULLS rubbed elbows with profittakers on the European bourses yesterday as new highs were managed despite some heavy technical corrections.

Zurich broke new ground. The Swiss Bank industrial index gained 3.7 to a

record 545.90 against a background of corporate news with the main feature of the session the Brown Boveri announcement about plans for its 65 per cent-owned West German subsidiary. The engineer is offering DM 310 a share for a further 10 per cent stake in the subsidiary, an offer likely to cost the parent SFr 80m. BBC closed SFr 65 down at SFr 1,840, also on consideration of its nine-month figures.

Sunday's rejection of a ban on vivisec-tion added some strength to chemicals and pharmaceuticals, sectors most likely to suffer from laboratory restrictions. Hoffmann-La Roche rose SFr 150 to SFr

Buying interest among banks was concentrated on registered shares. Créd-it Suisse firmed SFr 20 to SFr 645 while the bearer form held steady at SFr 3,500. Profit-takers eroded part of Holderbank's strength with a SFr 50 dip to SFr 4,000, and insurers took on an easier bias as Winterthur shed SFr 10 to SFr

Industrials benefited from strong domestic support, with Nestlé adding SFr 55 to SFr 4,530 although its bearer and participation certificates turned lower. Frankfurt was peppered with corporate news, but this failed to provide any support for prices. The Commerzbank index lost a further 36.4 to 1,689.2 - a fall

of 85 points since last Monday.

The fall of the dollar below the psychologically important DM 2.50 threshold failed to trigger any substantial selling pressure as the market braces itself

for the technical consolidation in the The blood-letting continued in the car

sector, with Porsche falling DM 20 under the influence of a weak dollar to DM 1,230 while VW lost an unusually large DM 12.60 to DM 389.20 and BMW re-

treated DM 12 to DM 541. Chemical stocks also suffered, with Schering DM 12 lower at DM 623 after the break-off of talks with Henkel over the purchase of two of the latter's US subsidiaries. Degussa lost DM 4 to DM 421 in line with the lower bullion price while Hoechst settled DM 3.80 cheaper at DM 247.40.

Deutsche Babcock's higher but unstat-ed profit for the year did not prevent a DM 5 setback to DM 204 while other machine-makers fared less badly.

Further details of the Boss flotation were revealed. The family-owned fashion producer's DM 15m capital will be split into DM 7.65m in ordinary voting shares and DM 7.35m in non-voting preference shares ahead of the flotation. Final details will be revealed next Tuesday with trading due to commence in Frankfurt and Stuttgart on December

Meanwhile, Rütgerswerke is raising its capital by DM 19m to DM 118.6m through a two-for-11 rights issue at DM 150 per DM 50 nominal share. The share price of the chemicals-to-construction group eased 50 pfg to DM 459.50.

Bonds were largely unchanged, with the Bundesbank limiting its intervention to a minimal sale of DM 400,000

Internationals suffered a brisk downturn in Amsterdam partly due to the softer dollar and fears that the current bull stampede might be running out of

Unilever posted an early FI 3 gain be-fore settling unchanged at FI 390 amid rekindled, and still hotly denied, rumours by the Dutch international that it is about to bid for the UK pharmaceuti-

" Gett

ant'r

MIN

cals group Beechams. Akzo, another dollar-sensitive issue, lost Fl 2.80 to Fl 136.00 while Philips held most of its ground with only a small 30-

cent fall to FI 56.10. The recent heavy level of foreign support for bank shares was notably absent yesterday, with ABN turning F1 10.50 cheaper at F1 535.50 and NMB losing F1 6

Milan peaked again, but the profittakers were much in evidence. Blue chips were particularly sought after.

Fiat, which announced on Friday an accord giving it indirect control of Snia, put on L70 to L5,170, and Snia rose L105

Montedison picked up L137 to L2,597 following Friday's confirmation that Gemina had sold its 17.1 per cent stake in the company to the Varasi group and Warburg of London.

Brussels was duli and lower while Madrid made modest progress. Profit-taking surfaced in Paris and Stockholm finished mixed to higher.

#### TOKYO

## Blue chips remain in backwater

SPECULATIVE trading of small-capital issues was the only active note in an otherwise dull Tokyo yesterday, writes

Shigeo Nishiwaki of Jiji Press. Domestic demand-related stocks, blue chips and large-capital issues remained

unpopular throughout the session.

The Nikkei average gained 17.39 to 12.796,92 on a volume of 212m shares. down from last Friday's 264m. Gains outpaced losses by 421 to 347, with 155 issues unchanged.

Institutional investors and corporations remained on the sidelines. Some big securities companies bought smaller-capital stocks in a bid to enliven trad-ing. Speculators followed the lead given by the companies.

Leisure-related stocks were buoyant. Toei firmed Y26 to Y522 with the second busiest volume of 9.8m shares traded. Korakuen Stadium added Y12 to Y692 and Toho Y550 to a record high of Y16.250 on investor interest in the companies' urban redevelopment projects.

Speculatives were also sought. Shinagawa Fuel rose Y40 to Y2.030. Takeshima Y45 to Y490 and Chisan-Tokan Y15 to

Among small-capital consumptionrelated issues, Takashimaya and Seiyu Stores gained Y10 each to Y599 and Y936 respectively. Tokyu Department Store rose Y5 to Y625. Oki Electric Industry remained the

most active stock with 9.8m shares changing hands. It climbed Y13 to Y740 on rumours that it might link with IBM

NEC opened higher on buying by investment trusts, but closed Y10 down at Y1,250 on profit-taking. Other blue chips were mixed Large-capitals remained out of favour.

Mitsubishi Heavy Industries moved up Y7 to Y372 on a small turnover of 2.3m shares, while Nippon Steel edged down Y1 to Y154 and Tokyo Electric Power weakened Y40 to Y2,300.

According to a Daiwa Securities survey, every year since 1965 the Nikkei market average has been higher in February than in December. Leading securities firms hope to revitalise the market towards the end of the year, but their task does not appear easy in view of the increasing shift of funds to short-term financial instruments.

high plateau. Buying exceeded selling in early trading on expectations of higher prices. But selling gathered momentum after the yen dropped to Y203 to the dol-The yield on the bellwether 6.8 per

cent 68th government bond due in De-cember 1994 fell to 6.140 per cent.

Bonds prices moved narrowly on a

# Danian Dairect.

Saudia Tristars now fly direct to Dhahran from Heathrow. Every Sunday and Thursday at 10.30 am.



